



In Warsaw, Pope John Paul II kissing the gravestone of the Reverend Jerzy Popieluszko, the slain pro-Solidarity priest.

Jaruzelski Upbraids John Paul

Refers to 'Alien Manipulations' As Pope Leaves

By Jackson Diehl
Washington Post Service

WARSAW — General Wojciech Jaruzelski angrily denounced "alien manipulations" of the truth about Poland here Sunday as Pope John Paul II concluded a seven-day visit in which he offered impassioned support for the banned Solidarity trade union.

The pope and General Jaruzelski, who talked for 70 minutes after John Paul's arrival on Monday, held a 55-minute second encounter late Sunday afternoon at Warsaw's Okęcie International Airport, shortly before the Polish-born pope left for Rome.

Then, as the pope stood alongside him at a ceremony on the airport tarmac, General Jaruzelski read a statement that bluntly expressed his bitterness over John Paul's emotional embrace of Solidarity and his repeated calls for reform of Poland's political system. "Your Holiness, who will soon bid farewell to your homeland, will take its picture with him in his heart but cannot take with him its problems," the general declared as John Paul closed his eyes and grimaced.

"Poland needs truth," the general added. "But truth about Poland is necessary, too. How frequently in recent days has it been the victim of alien manipulations so offensive to the common sense of our nation?"

Sarcastically referring to the pope's repeated evocations of Solidarity as both an organization and a quality, the general added: "May the word 'solidarity' be heard from this land for all people who continue suffering from racism, neocolonialism, exploitation, unemployment, reprisals and intolerance."

The general's unusually harsh remarks came at the end of a day in which John Paul completed his show of support for the country's political opposition by kissing the gravestone of the Reverend Jerzy Popieluszko, a slain Solidarity leader.



Students demonstrating in Seoul in support of those who have occupied the Myeongdong Cathedral since Wednesday.

Police Retreat In Seoul

Students Still In Cathedral After 5 Days

By John Burgess
Washington Post Service

SEOUL — Street violence here dropped sharply Sunday as worshippers flocked to a Roman Catholic cathedral that has been at the center of five days of dissident protests and riot policemen abruptly withdrew from the streets around the church.

The departure of the police late Sunday night, which ended a military-style siege, appeared to be aimed at getting radical students who have been taking refuge there since Wednesday to go home.

It was one of several conciliatory steps the government has taken in hopes of ending the confrontations. Tension remained high, however, and few students seem inclined to leave the church, which had turned into a political rallying point for dissidents.

"We want to make these grounds a symbolic bastion of the fight for democratization in our country," a student was quoted as saying to Reuters on Sunday. "We will hold out here until our demands are met."

Government officials appeared relieved to see a marked reduction in the demonstrations, but they played down reports that the government was considering emergency measures to suppress the protests.

They also noted that leaders of the government party will meet Monday with the opposition to discuss opening a special session of the National Assembly to discuss solutions to the troubles.

Government officials and members of the governing Democratic Justice Party met Sunday for internal talks, and television reports indicated they would seek a voluntary end to the crisis.

The government is seen as eager to avoid using force. It did so in 1980 during demonstrations in the city of Kwangju, and more than 200 people were killed. That incident has hindered public acceptance of President Chun Doo Hwan.

With the 1988 Summer Olympic Games set to open in Seoul in 15 months, the government also is eager to avoid creating an image of repression and dictatorship.

The demonstrations began Wednesday, in protest against the death of a student during police torture as well as the nomination of Roh Tae Woo, the ruling party chairman and a former army general, to succeed Mr. Hwan.

Although the protesters appear to be only a tiny minority of South Korea's one million university students, the bold tactics they have used have kept their struggle in the public eye.

In taking their cause to Myeongdong Cathedral, the students have

Italians Begin Voting in Heated Election

By James M. Markham
New York Times Service

ROME — Italians began voting Sunday for the 630-member Chamber of Deputies and the 315-seat Senate.

The polls also are open Monday, and the outcome of the election will not be known until Monday evening.

About 46 million Italians are eligible to vote for the Chamber of Deputies, and 38 million are eligible to vote for the Senate. The voting age is 18 for the lower house and 23 for the upper.

Many politicians and commentators have predicted that the balloting will open a period of uncertainty and political instability.

Italy's last general election took place June 25-27, 1983, and led to the formation of a five-party coalition led by Bettino Craxi, a Socialist. The coalition collapsed amid recriminations this spring, precipitating early elections.

As a desultory 40-day campaign wound up, Ciriaco De Mita, leader of the conservative Christian Democratic Party, warned that the elections could, for the first time in Italy's postwar history, bring the Communist Party to power.

"The stakes are very high," said Mr. De Mita, fearful that large-scale abstentions could hurt his party. "Never has the alternative of the left been as near as it is in these elections."

The election has become a highly personalized contest between Mr. De Mita and Mr. Craxi.

To reach his goal, Mr. De Mita has to at least equal the 32.9 percent share of the popular vote won by the Christian Democrats in 1983, according to politicians and commentators.

Mr. Craxi, who precipitated the elections by refusing to cede the office of prime minister to his Christian Democrat coalition partner, has requested assistance

about his intentions, turning away questions on whether he would accept a coalition with the Communists with a "never say never" retort.

He repeatedly has said he would not accept the Christian Democrats' "hegemony" over Italian politics.

But his goal is thought to be to increase the Socialists' 11.4 percent of the poll and to humiliate Mr. De Mita, forcing the Christian Democrats to replace Mr. De Mita with a more malleable figure.

Foreign Minister Giulio Andreotti and 38 other leading Christian Democrats distanced themselves from Mr. De Mita by issuing a manifesto that urged maintaining "a dialogue with the lay and Socialist forces."

In a front-page column Saturday in *La Repubblica*, Eugenio Scalfari, the newspaper's editor, said that the best recipe for post-election stability was a rout for either

the Socialists or the Christian Democrats. By contrast, he said, a draw will produce "a powerful and prolonged turbulence" in Italian politics.

The Communist Party, which won 29.9 percent of the vote in 1983, has demanded the formation of a leftist coalition in which it would be the largest component. Alessandro Natta, the party's leader, made a final appeal for votes "to open a new phase in the history of our republic, to build a more just, free and advanced society."

But the Communists' principal goal is to avoid an erosion of their support, which in the last two national elections has fallen from a postwar high of 34.4 percent.

The Roman Catholic Church has several times weighed in on the side of the Christian Democrats. On the eve of the elections, the *Osservatore Romano*, the Vatican daily, praised the Christian Democrats' "clarity and political honesty."

Klosk

Ford Pulls Back In South Africa

JOHANNESBURG (WP) — Ford Motor Co. is negotiating to sell its interest in a South African subsidiary, the chairman of the local branch said Sunday.

Ford will continue to supply its local affiliate, the South African Motor Corp., with vehicles, components, management and technical assistance.

Lakers Win NBA Title

NEW YORK (IPT) — The Los Angeles Lakers captured the National Basketball Association championship Sunday, defeating the Boston Celtics, 106-93, in the sixth game of the best of seven series.



Willy Brandt at the Social Democratic meeting. He was replaced as chairman by Hans-Jochen Vogel. Page 2.

GENERAL NEWS
■ It wasn't on the map, but three million Americans will miss Lake Wobegon. Page 4.
■ Huge Soviet satellites that would convert sunlight into electricity are planned. Page 2.

BUSINESS/FINANCE
■ Brazil's unions are angry over austerity measures. Page 15.

Special Today

European airlines are moving toward a measure of deregulation. Part I of a Special Report on civil aviation. Pages 9-14. Tomorrow: Military aircraft.

Fights Ahead For Congress And Reagan

By David Hoffman
Washington Post Service

WASHINGTON — President Ronald Reagan, home from the economic summit meeting in Venice, is preparing for a new season of combat with Congress over the budget, trade and other domestic policy priorities.

First Mr. Reagan plans a nationally televised address from the Oval Office on Monday night in which White House officials say he intends to challenge Congress, which is controlled by the Democrats, to overhaul the budget process.

The president may also suggest the adoption of economic principles that would lock in his priorities after he leaves office in 20 months.

An official called the address an attempt to "get the debate focused on our domestic economic policies and get Congress to face facts, to put in place a budget process that is reliable and credible."

Mr. Reagan is also facing a series of potential veto confrontations with Congress over a money bill that includes arms-control restrictions he opposes, trade legislation that he has called protectionist and a housing bill that exceeds his budget request.

The official said there were "more, rather than less, potential conflicts" facing Mr. Reagan before the August congressional recess. The president is planning to visit Capitol Hill this week to lobby on the trade bill that is expected to reach the Senate floor shortly, and he used his weekly radio address Saturday to speak out against restrictive trade provisions.

Also this summer, Mr. Reagan is expected to devote his efforts to building support for a treaty to eliminate medium- and short-range missiles from Europe.

He said Friday in Bonn that he expected Mikhail S. Gorbachev, the Soviet leader, to come to the United States this year to sign such a treaty, which would require Senate ratification.

Mr. Reagan is expected to announce in the Monday address that he has ordered an affirmative response be sent to the Soviet Union on the "double-zero" plan for removing these missiles from Europe, with some conditions attached to satisfy U.S. allies.

White House officials also say they expect to spend part of the summer grappling with the Iran-contra hearings. Since the hearings began in May, Mr. Reagan has attempted to advance his policy agenda regardless of the controversy.

See REAGAN, Page 6

Fights Ahead Singapore Plans to Ensure Multiracial Elections

By Michael Richardson
International Herald Tribune

SINGAPORE — Concerned by the rise of racial politics in parts of Asia and the Pacific, the government of Prime Minister Lee Kuan Yew is planning changes in Singapore's political system that it says will provide better protection for the rights of minorities.

Sources in the governing People's Action Party said the changes would probably occur before the next general elections, due in early 1990 at the latest.

They would likely coincide with

the retirement of Mr. Lee as prime minister and his accession to a new post of elected president.

The sources said the government was studying two important modifications to constitutional arrangements for parliamentary democracy inherited when British colonial rule ended in 1959 and the People's Action Party, led by Mr. Lee, came to power.

One is to combine more than a third of Singapore's single-member constituencies, or election districts, for elections to Parliament, making them three-member electorates.

The three successful candidates

would be from the party that won the most votes.

It would be mandatory for all parties campaigning in each of these enlarged electorates to include in its team a candidate from one of Singapore's racial minorities.

Of the population of 2.6 million, 76 percent are of Chinese descent, 15 percent Malay and 6 percent Indian. The rest are Eurasian and other ethnic groups.

A second proposal under study involves the position of president. At present, the incumbent plays a

largely ceremonial role as head of state.

In a recent interview, Sinnathamby Rajaratnam, senior minister attached to the prime minister's office, said the government was considering introducing an elected president with powers to protect Singapore's large foreign currency reserves from being squandered by any future administration.

He said an elected president would also have the authority to work closely with an existing president.

See SINGAPORE, Page 6



Representative Sam Gibbons indicating the spot where he landed in Normandy on D-Day.

'Museum of Ideas' to Commemorate Normandy Battle, Why It Was Fought

By Barry James
International Herald Tribune

CAEN, France — Rising in a green field just outside Caen is a hangar-like building that within a year will stand as "a museum of ideas" explaining the Battle of Normandy, a turning point of World War II in Europe.

"It's going to be more than just another war museum," said Representative Sam M. Gibbons, Democrat of Florida, who fought in the battle and who is a member of a U.S. committee supporting the project. "There are lots of places where they've got an old rusty tank and an old rusty that."

But the Caen memorial, he said in an interview, will be "a museum of ideas, because that is what the war was all about, really. We only were defending what we thought was the idea of freedom."

Mr. Gibbons and Senator Strom Thurmond, Republican of South Carolina, another Normandy veteran and a fellow member of the

support committee, led about 200 U.S. legislators, veterans, historians and corporate executives to Caen this weekend to arouse interest in the project.

'It's going to be more than just another war museum. There are lots of places where they've got an old rusty tank and an old rusty that.'

— Sam M. Gibbons, U.S. congressman

est and financial backing for the project. "We took advantage of the fact that many of these people were in

Paris for the air show," said Anthony Stout, a Washington publisher who is on the board of directors of the support committee.

Mr. Stout said corporate participation was important because the Caen museum would tell the story of the technological and industrial progress spurred by the war, including the contribution of U.S. industry to the Allied cause.

But Mr. Stout said the committee, which has the support of Congress, also hoped that thousands of American citizens would participate in the project through modest donations or in other ways.

Caen is putting up more than half the 91-million-franc (\$15-million) cost of the museum itself, with the rest of the financing coming from the national and regional governments. But there is plenty of room for expansion on the 37-acre (15-hectare) site.

Additional funds will be used to enlarge archives and exhibits, create research facilities and provide

See NORMANDY, Page 6

Beyond a Lyon Court, France Examines Drama and Shame of Nazi Years

By Julian Nundy
International Herald Tribune

PARIS — Beyond the courtroom where Klaus Barbie is being tried, a widespread, informal review of French collaboration with the Nazis is under way.

Revelations range from minor details on how Gestapo informers went about their tasks to a dramatic assertion that French psychiatrists during the occupation allowed 40,000 patients to die of malnutrition and cold.

These are accompanied by a new campaign by revisionist historians who contend that the Holocaust is an invention, that the gas chambers at Auschwitz, Treblinka and other Nazi death camps never

existed, that those who did die were the victims of epidemics, not of cruelty.

Barbie's defense lawyer, Jacques Vergès, promised that he would turn the Lyon trial of the former SS officer into a trial of France itself, into a traumatic exposure of French, even French Jewish, collaboration with the Nazis.

The trial is just over halfway through its two-month schedule and Mr. Vergès has failed in this objective — inside the court, at any rate. Many conventional historians and legal experts doubt he has the means to carry out his threat. Mr. Vergès's first witnesses are scheduled to appear Monday.

Yet, through press articles and television programs, the drama and, for some, the

shame of those years are filtering through. Discussion includes an intellectuals' dispute over whether General Charles de Gaulle was right to have Robert Brasillach, who wrote anti-Semitic and pro-Nazi editorials throughout the war, shot for treason.

The French are learning that Moroccan laborers encouraged by the pro-German government in Vichy to come to France to work as factory hands included Jews. When the Moroccan Jews' presence was discovered by collaborators, some of them were sent to their deaths in concentration camps in Germany.

The daily newspaper *Libération* has devoted a series of profiles to the informers

who, for money, would turn in Jews to the Gestapo. The portraits usually depict small-time crooks, alcoholics or the mentally subnormal going about their voluntary tasks with fervent dedication.

By far the most dramatic charge has come in a book by a French doctor who, drawing on medical archives, has concluded that his predecessors allowed 40,000 mental hospital patients, whom the Nazis considered "socially useless," to die between 1940 and 1944.

Dr. Max Lafont wrote in "The Quiet Extermination" that the psychiatrists published research articles on the effects of starvation on the mentally ill, just as Nazi

doctors in Germany justified their cruelty by stressing purportedly scientific ends.

He contended that at the Vichy Hospital at Bron, on Lyon's outskirts, hospital officials sold pork, veal, chickens, eggs and milk as their patients slowly died, many from starvation.

The patients, at the hospital, had their own farm, "ate all the grass, dandelions, clover and leaves that they could pull from between the paving stones in the yard," he said, adding that 2,000 of the 2,890 patients admitted to the hospital from 1940 to 1944 died.

The doctors treating mental patients published papers with titles such as "The

See BARBIE, Page 6

late May. "We don't need to play a game of chicken. We need to run the system on cold instead of hot. ment this year. "It's the experience level we're worried about," said Vic DePaula, gerated — that airline travel is disintegrating into chaos, the proposal will figure as a major bar-

carries aloft our vehicle equipment bay, responsible for command-cooperative than us.

FRAN
In R

about 1,200 square feet. It said full-scale reflectors could be in routine use by 1980s.

Early in 1985, the Soviets announced a project called "Star Electricity." It intended to build, by the end of the century, a "power plant in outer space working on solar energy."

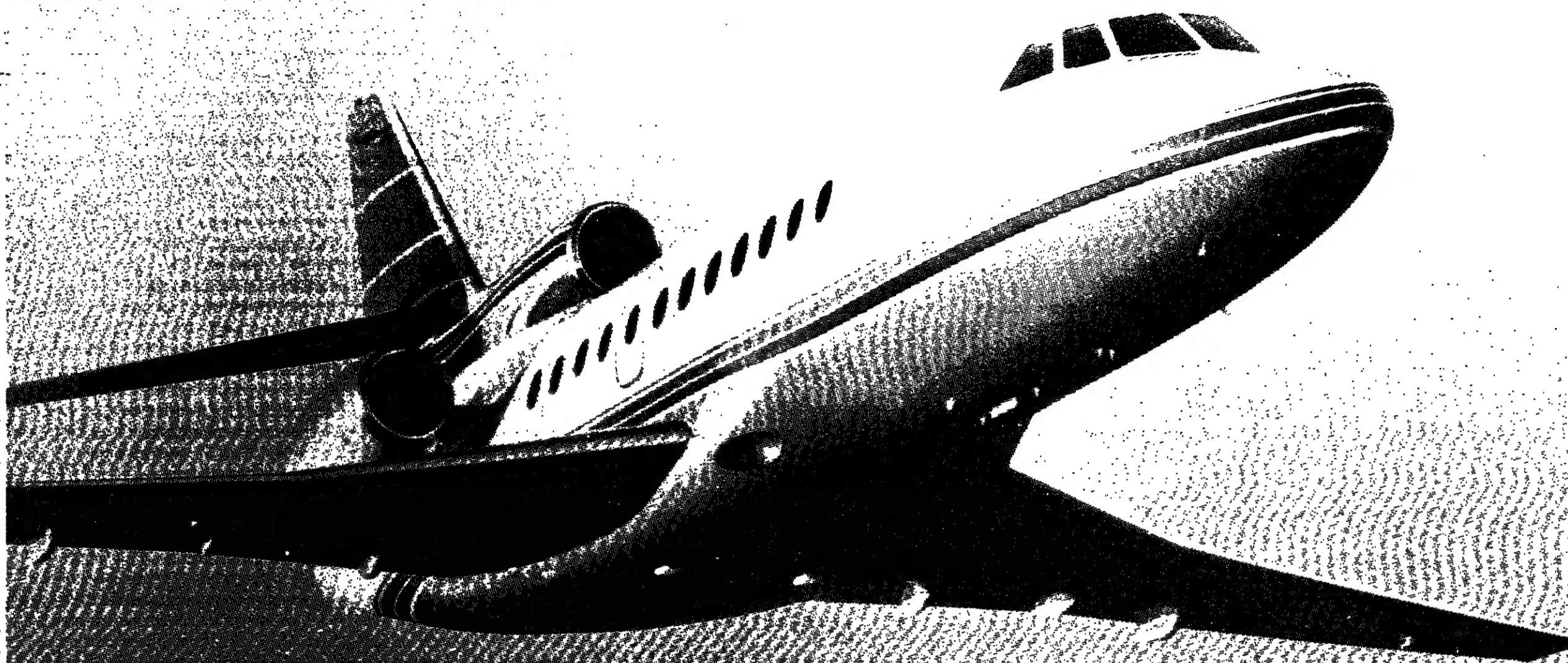
In the February 1985 issue of Space Policy, a British publication, Leonid Leskov, a Soviet scientist, elaborated on the project's rationale: "The operation of these space giants does not require the consumption of natural resources and will not affect the environment in any major way."

Mr. Leskov added that "the success and the scale of implementing this program will depend on the design of carrier rockets."

In interviews, Western experts said such a system might require several stages of development in space before microwave beams were directed through Earth's atmosphere toward antennas on the ground. Beams might first be used to power industrial processes aboard Soviet space stations, and then to fuel space tugs moving payloads between orbits.

The experts also said orbiting solar satellites and reflectors could be used in both peace and war. Mr. Johnson of Teledyne Brown noted that reflectors "could light up a battlefield at night." In the 1960s, space reflectors were considered by the U.S. military for use in the Vietnam War.

Paris Air Show, June 11th-21st 1987.



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Business takes off with Falcon

late May. "We don't need to play a game of chicken. We need to run the system on cold instead of hot."

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For Lake Wobegon, 3 Million Goodbyes

By Dirk Johnson
New York Times Service

SAINT PAUL, Minnesota — Down at the Chatterbox Cafe, nobody's feeling quite up to snuff, not even the Norwegian bachelor farmers.

Garrison Keillor, the native son and storyteller of Lake Wobegon, "the little town that time forgot and the decades cannot improve," bade farewell Saturday.

Before a sentimental audience in the World Theater here, the tall man in red suspenders delivered his final installment of "A Prairie Home Companion," the affectionate satire of small-town life that was first aired on Minnesota Public Radio 13 years ago and grew to become the most popular program in public radio, reaching more than three million listeners a week.

"Sinclair Lewis and others wrote about small towns as unbearable, overpowering machines that force people into conformity," Mr. Keillor said between sips of roast beef and string beans in his theater dressing room. "I never saw it that way."

The author of the best-selling novel, "Lake Wobegon Days," Mr.

Keillor, 44, a bespectacled, painfully shy native of Anoka, Minnesota, had lately complained that fame was getting in the way of his writing. So, in search of a quiet corner for his typewriter, he will move this week to Copenhagen with his Danish-born wife, Ulla.

There, he said, he will concentrate on nonfiction articles for The New Yorker magazine. "Leaving Home," a collection of short stories about Lake Wobegon, will be released this fall.

"I've simply come to the point where my material isn't as good as I want it to be," he said. "It's time to pull away, listen to the way people talk. I need the discipline of reporting to get back my ear for dialogue."

The largely improvisational variety show, which mixed jazz and bluegrass, folk and ethnic music with comedy skits and letters from listeners from Manhattan to Melbourne, Australia, was best known for its "News from Lake Wobegon," the central Minnesota farm town that listeners can easily locate, even if mapmakers cannot.

It is the home of the Chatterbox Cafe, where Dorothy pours coffee for the Norwegian bachelor farm-

ers who raise the wheat used in Powdermill Biscuits, a food wholesome enough to "give shy persons the strength to get up and do what needs to be done."

The biscuits are on sale, along with everything else, at Ralph's Pretty Good Grocery. "Remember, if you can't find it at Ralph's, you can probably get along without it." And everybody knows Bob the banker. He runs the friendly financial institution in the green mobile home right on Main Street, where every check you write has a picture of Bob on it and the inscription: "Cash this. They're friends of mine."

If you're planning a visit to Wobegon, don't wait too long. You'll miss the big parade sponsored by "The Sons of Knute." And don't be afraid of the barking dog. That's just Buster, the show dog.

Mr. Keillor, who never gives his name on the show, draws heavily on remembrances from his childhood in creating his characters.

"Eight or ten of them are people I could point to," he said, "and the rest are composites."

When the show began, he recalled, there were sometimes more people on stage than in the seats.

But in recent years, tickets have been sold out long before each performance. The World Theater, meanwhile, has been transformed from an abandoned, dilapidated building into a refurbished showplace for the fine arts.

Across the country, "A Prairie Home Companion" inspired intense devotion and loyalty among its fans. At a Friday night benefit show, with proceeds going to the World Theater, fans came from as far away as Massachusetts and Oregon.

In his news broadcast from Wobegon, Mr. Keillor alluded to his decision to leave the show. He talked about his childhood in Lake Wobegon, when the small lake in the little town seemed more like an ocean, not surrounded by land, but an opening to the world and "wherever I wanted to go."

Now, he said, that little boy was setting out on those waters.

"I don't know what's around that bend, but when I do, I'll be sure to let you know," he said. "And that's all the news from Lake Wobegon, a little town where all the women are strong, all the men are good-looking, and all the children are above average."



Garrison Keillor reads letters from listeners during a broadcast of Public Radio's "A Prairie Home Companion."

FBI Infiltrates Cocaine Rings

New York Times Service

WASHINGTON — The FBI has announced scores of arrests of people accused of running narcotics money-laundering rings, among them seven Colombians. Undercover agents processed sums totaling \$175 million in the three-year operation.

The agents infiltrated the money-laundering rings of four Colombian cocaine trafficking groups, resulting in charges against 160 people and the seizure of millions of dollars worth of assets, drugs and cash, FBI officials said. The operation ended Friday with arrests in eight U.S. cities and on the island of Aruba.

Tehran Denies Reports That It Is Holding Waite And Americans in Iran

The Associated Press

BEIRUT — The Iranian Embassy denied Sunday that Terry Waite, the missing Anglican Church envoy, or any of the eight American hostages in Lebanon have been taken to Iran.

"None of the hostages is in Tehran," said a spokesman for the embassy's press section. "The Iranian Islamic republic has nothing to do with the hostages, whomever they are."

"We also deny that Terry Waite has been taken to Tehran," said the spokesman, who declined to be named.

The statement was in response to a report Saturday in a Lebanese weekly magazine, Ash Shaara, that some of the American hostages had been taken to Iran, where a powerful faction wants them put on trial.

In Washington, a State Department spokesman, Pete Martinez, said the U.S. had no information to substantiate the report by Ash Shaara, which first reported the trip to Iran by U.S. officials in an attempt to free hostages in Lebanon.

"However," Mr. Martinez said, "if such reports were indeed true, we would consider it a matter of the utmost gravity and would hold the Iranian government directly responsible for the safety and well-being of the hostages."

He added: "In any case, the very notion of a 'trial' for the hostages is outrageous. The hostages are not criminals but innocent victims. The terrorist kidnappers are those who should be facing trial."

Iranian Politics Cited

Nora Boustany of The Washington Post reported earlier from Beirut:

Ash Shaara, quoting sources close to Ayatollah Hussein Ali Montazeri, the man selected to succeed Ayatollah Ruhollah Khomeini, said Ayatollah Montazeri was demanding that the American hostages "be brought to trial, especially since some of them have been taken to Iran."

Such a demand, if true, would indicate that the radical wing of Iran's leadership, represented by Ayatollah Montazeri, is further challenging the less radical line of the parliament speaker, Hashemi Rafsanjani.

On the question of Mr. Waite's whereabouts, Al-Itihad, a semi-official newspaper in Abu Dhabi, reported Saturday that he had been taken to Iran twice for talks with officials there, but it did not say whether he was still there. Mr. Waite vanished Jan. 20.

Ash Shaara's report in Beirut fol-

lows a period of prolonged silence on the fate of the hostages and coincides with renewed friction between the United States and Iran over U.S. moves to increase its military presence in the Gulf.

In addition to the State Department comment, other U.S. officials said they doubted the veracity of Ash Shaara's report because the American hostages are believed to be held in Beirut's southern suburbs.

The suburbs have been virtually surrounded by Syrian troops since they moved into Beirut in February. The officials said the Syrians would almost certainly seize the hostages if an attempt were made to transfer them out of Beirut.

Hassan Sabra, editor and publisher of Ash Shaara, told Reuters Saturday that the American hostages "were transferred to Iran some months ago and definitely before the deployment of Syrian troops in West Beirut."

He was quoted as saying the hostages were moved "as a means of pressure against the United States."

The report by Ash Shaara said that some of the American kidnapping victims were "actually in Iran and are under severe interrogation."

Communists Pick Candidate for French Election

Reuters

PARIS — The French Communist Party ratified a pro-Maoist hardliner, Andre Lajoinie, 56, to run in the 1988 presidential elections. He was elected by 98.3 percent of the vote Saturday during the party's national conference.

The party, firmly aligned with the Soviet Union, split with President Francois Mitterrand's Socialists in 1984, withdrawing from the government.

Delegates jeered Pierre Juquin, the leading reformer of the party's central committee, when he appealed to the conference not to back Mr. Lajoinie. He said that supporting the hard-picked candidate of Georges Marchais would be "voting for the death of the French Communist Party."

Mr. Marchais, head of the party for 15 years, has presided over a decline in the party's fortunes. Once the most powerful single party in France, the Communists now have about 10 percent of the vote.

AMERICAN TOPICS

Hollywood Battles to Cut Back On Spectacular Cost of Films

The American film industry is battling runaway costs in ways large, small and peculiarly Hollywood. The New York Times reports. Although theatrical film rentals have been good, at \$1.67 billion in 1986, and home video sales even better, at \$2.16 billion, the cost of an average film made by a major studio rose from \$2.3 million in 1975 to \$8 million in 1980 to \$17.5 million last year. This does not include marketing expenses of \$7.5 million, plus financing costs and studio overhead.

Inflation, casualness about expenses, loss of the investment tax credit and huge salaries — \$16 million to Sylvester Stallone for his next Rambo role, \$1.5 million for some Teamsters union chauffeurs — are blamed. So are some profligate Hollywood habits dating from the days of silent films. Studio heads change frequently, and the new boss routinely dismisses anyone hired by his predecessor. This can mean huge severance payments. Stars often insist on bringing their own retinues, including cinematographer, makeup artists, stand-in and double, at salaries well over scale. Incompetent executives with friends in high places often are kicked upstairs at double the salary.

On the other hand, Walt Disney Co. made "The Color of Money" in 1986 for \$13.8 million despite the film's high-salaried stars, Paul Newman and Tom Cruise, and director, Martin Scorsese. They were to be paid in full only if the film came in on budget. It was finished \$1 million under budget.

Short Takes

The Algonquin Hotel in Manhattan has been sold to a Tokyo company's Brazilian subsidiary, which pledges to maintain the hotel's character and traditions. The Algonquin is best known for the wits like Robert Benchley, Dorothy Parker and Alexander Woollcott who gathered for meals at its Round Table in the 1930s. Ben Bodine, 85, who had run the hotel for 41 years, stated four months ago that he favored designating it a historic landmark, meaning it could not be torn down or substantially altered. That remains a possibility.

Volunteer charity work continues to grow despite the high mobility of U.S. families, the increasing number of women in the work force and assertions that Americans are increasingly preoccupied with their own material well-being. A Gallup poll found that as many as four in 10 adult citizens who were surveyed said they were involved, in one way or another, in such activities as helping the underprivileged, the infirm or the elderly. This is the high point of a 10-year trend, with 27 percent reporting such charitable work in a 1977 survey.

Donors to the New Orleans symphony can dial (504) 976-2767 and hear 30 seconds of recorded music and a voice thanking them for contributing to the orchestra. Then \$25 is automatically added to their next phone bill. "It's the easiest way possible to give money to the symphony," said Anne O'Brien, a spokeswoman. Those who dial the number accidentally will be reimbursed.

Notes About People

Such presidential aspirants as George Bush, Jack F. Kemp, Alexander M. Haig Jr., Bruce Babbitt, Paul Laxalt, Albert Gore and Pat Robertson all have the same final four digits in the telephone numbers of their Washington campaign headquarters: 1988. The number of Michael Dukakis's headquarters is 1-800-USA-MIKE. Paul Simon did not get a 1988 because, said Paula Nixon, a spokeswoman, "he doesn't need stuff like that."

Mae C. Jemison has become the first black woman selected by the National Aeronautics and Space Administration for astronaut training. Dr. Jemison, 30, a physician in general practice at a Los Angeles medical center, was one of four civilians and 10 military officers selected from 19,622 applicants. Born in Decatur, Alabama, she was raised in Chicago and spent two years as a Peace Corps doctor in West Africa. "I try to do things that are interesting to me," she said, and as for being a role model, "I can be an inspiration to anyone, then that's an added benefit."

Brooke Shields, who entered Princeton University in the fall of 1983, graduated on schedule with her class this month. The film actress, who is 22, graduated with honors in Romance languages. "I did it," she declared at her first and last campus press conference. "I've proven something to myself. I didn't expect to get honors but I worked as hard as I could from day one."

—ARTHUR HIGBEE

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Congressional Panel Says Officers on Stark Failed to React in Gulf

By George C. Wilson
Washington Post Service

WASHINGTON — The House Armed Services Committee has said that the officers of the USS Stark failed to react soon enough to the threat of an approaching Iraqi aircraft in the Gulf on the night of May 17 when Exocet missiles slammed into the ship, killing 37 sailors.

"With 20-20 hindsight, the evidence shows the Stark should have received a warning to the Iraqi Mirage much sooner and should have turned broadside to unmask all its equipment, radar and weapons, so they could have been brought into action," the committee chairman, Representative Les Aspin, Democrat of Wisconsin, said in releasing a preliminary report on the disaster.

The report was based on a field investigation by the committee staff.

Mr. Aspin said the investigation indicated that "a confluence of omissions" by the ship's personnel and by the Iraqi pilot caused the tragedy, not faulty equipment or inadequate rules of engagement.

Among the findings in the report were the following:

- The ship's officers did not warn the Iraqi pilot in time or take proper precautions. When the Iraqi plane was 43 miles (70 kilometers) away, a petty officer asked if a warning should be issued but was told not to do so by the tactical action officer. Warnings were sent when the plane was 13 and 11 miles away, and "it is possible that both missiles were fired before we warned the plane," Mr. Aspin said.

- The Iraqi pilot failed to tune in to or heed the warnings and fired his missiles at a radar blip rather than looking to see what he was shooting at, as do Iranian and other pilots flying over a waterway crowded with ships of many nations.

- Captain Glenn R. Brindel was in his cabin, having just used the toilet, when the missile hit, and he said in a written statement that he was not informed that the plane was making a close approach.

- An audio alarm designed to alert the ship to incoming missiles was turned off because of too many false alarms. The report said it was probable that a crewman watching a radar scope "was distracted and missed the visual signal" that should have appeared on his screen.

- The lookout who first detected the missile was not told of the Iraqi plane and did not tell his superiors about his first sighting. "Only sec-

onds before impact, the lookout realized it was a missile, started screaming 'Inbound missile, inbound missile,' and hit the deck," the report said.

Three days earlier, the destroyer USS Coontz had a similar experience with an approaching Iraqi Mirage. The plane turned out to have another target, a tanker, but the Coontz reacted properly, radiating its first warning 39 miles away. It turned to allow its weapons to be used against the plane, an anti-aircraft missile was loaded into a launcher, and chaff, designed to divert an incoming missile, was prepared for firing.

The committee stressed that it did not have all the facts when it wrote its report, and it termed the successful efforts of the officers and crew in keeping the Stark from sinking after it was hit "nothing short of heroic."

The inquiry did not include interviews with the Stark's skipper or three other key officers. But in a short written addendum to the committee report, Captain Brindel listed questions that may form the basis of his defense if the navy decides to court-martial him. A navy investigation is under way.

One question, Captain Brindel said, is why he was not informed that the ship's radar was tracking the approaching Iraqi plane and had determined that it would come within 10 miles of the Stark if it continued its southerly course.

The captain also asked why the Stark's combat team "was unable to defend this attack" and "why no missile launch was detected on the air search, fire control radars" or the receiver that is supposed to identify the plane or missile that is emitting radar signals in the area.

Captain Brindel disclosed that while the Iraqi plane was still at a safe distance he had ordered the Stark to conduct a full-speed run, a test during which the ship is run at full power. Navy skippers say this is a demanding operation that is seldom conducted when a ship is on patrol at night in a dangerous and congested area like the Gulf.

Navy officials said it is likely that Captain Brindel and key officers and sailors were focused on the test rather than the approaching Iraqi plane.

The committee report said the Stark clearly was outside the zone where Iran had said it would operate its ships.

■ **China Arms Link Denied**

Iran's foreign minister, Ali Akbar Velayati, denied Saturday that his country had received any weap-



Glenn R. Brindel

ons from China, including anti-ship missiles, and he warned the U.S. and the Soviet Union to stay out of the Gulf. The New York Times reported from Beijing.

He added that if Iraq would stop attacking ships in the Gulf, Iran would do likewise.

He made his remarks in response to reports that China has sold Iran surface-to-ship missiles of the type known in the West as Silkworm. China has denied making such a sale.

Geraldine Page Dies; Actress Was 62

The Associated Press

NEW YORK — Geraldine Page, 62, a Broadway actress for more than 40 years and the winner of an Academy Award and two Emmys, died Saturday at her Manhattan home, apparently after a heart attack.

Miss Page had been nominated for a Tony award for "Blithe Spirit," a Noel Coward comedy on Broadway in which she portrayed an eccentric medium who contacts the dead.

She had missed a Saturday matinee performance, and police said she was later found dead.

Miss Page won an Academy Award for best actress last year for her role in the film "A Trip to Bountiful," in which she played an aging woman who returns to her home town.

Other of her recent films were "I'm Dancing As Fast As I Can" in 1982 and "The Pope of Greenwich Village" in 1984.

Miss Page also won Emmys in 1966 and 1967 for the outstanding single performance by an actress in a television drama.

She was born in Kirksville, Missouri.

Miss Page was married twice, first to Alexander Schneider and then to Rip Torn, an actor; both marriages ended in divorce. She had two sons and one daughter.

Miss Page was a flutter-voiced, girlish actress who specialized in playing neurotic, lost women, espe-

cially the heroines of Tennessee Williams. She first gained notice on stage in 1952 while playing Alma Winemiller, the repressed spinster in a revival of Williams' "Summer in Smoke."

The had play failed on Broadway four years earlier, but Miss Page's performance impressed critics and audiences. It was one of the earliest successes of the fledgling off-Broadway movement.

Her greatest success came in 1959 as the Princess Kosmonopolis, an aging film star, in Williams' "Sweet Bird of Youth," in which she played opposite Paul Newman. Another big success was in N. Richard Nash's comedy "The Rainmaker."

Brooks Atkinson, a theater critic of The New York Times, once wrote of her: "Miss Page is not a forceful woman; she does not impose herself on the parts she plays. But somewhere behind and beneath the modesty and prosiness of her personality lies an extraordinary perception, which illuminates the characters she plays."

Before she won her Academy Award, Miss Page had been nominated seven times; she lost more Oscars than any other actress in the motion picture academy's history.

She told the Los Angeles Times in 1970: "One of the things that intrigued me about acting from the start was that you could be burned at the stake as St. Joan six times a week and not have to molder in the grave."

Alexander Iolas, 78, Greek Dealer in Pop Art

ATHENS (AP) — Alexander Iolas, 78, a leading Greek art dealer and patron of pop art, died Monday in a New York hospital, friends said Wednesday. The cause of death was not given.

The last major exhibit organized by Mr. Iolas was "Andy Warhol's Cenacolo," unveiled in a Milan palazzo in January.

Mr. Iolas, who was born in Alexandria, Egypt, first won fame as a young dancer in the neo-classic Greek style of Isadora Duncan. He danced in salons in Rome, Berlin and Paris before moving to New York, where he opened an art gallery in Manhattan that he later said "introduced Americans to Cubism."

Ralph Guldahl, 75, A Leading Golfer in '30s

NEW YORK (NYT) — Ralph Guldahl, 75, a tall Texan who dominated professional golf in the late 1930s only to give up the tour for lack of interest, died in his sleep Thursday at his home in the Los Angeles suburb of Sherman Oaks.

He was the golf professional at the Braemar Country Club in Tarzana, California.

In a span of four years he won the Western Open in 1936, 1937 and 1938; the United States Open in 1936 and 1937; and, after two straight second-place finishes, the Masters in 1939. He also played on

three consecutive Ryder Cup teams in 1937, 1939 and 1941.

Tuvia Bielsky, 81, Led Jewish Anti-Nazi Troop

NEW YORK (NYT) — Tuvia Bielsky, 81, the leader of an armed band of Jewish partisans in Nazi-occupied Belorussia that was known as Bielsky's Brigade, died Friday in Brookdale Hospital in Brooklyn. A resident of Brooklyn, he used the surname Bell.

Beginning in 1941, Mr. Bielsky's group operated against the Nazis from the forests of the Novogrudok region of Belorussia in the Soviet Union, harboring Jewish families and conducting raids against the German occupiers.

■ **Other deaths:**

Elizabeth Hartman, 43, an actress nominated for an Oscar for her first film role in the 1966 movie "A Patch of Blue," Wednesday after she jumped from a building in Pittsburgh.

Leo Sullivan, 66, a former editor at The Washington Post and public relations director of the Kennedy Center, Wednesday of cancer in Washington.

Raya Damsyevskaya, 77, an author, lecturer and former secretary to Leon Trotsky, Tuesday in Chicago.

Daniel Mandell, 92, a film editor who won Oscars for "Pride of the Yankees" in 1942, "Best Years of Our Lives" in 1946 and "The Apartment" in 1960, in Newport Beach, California.



Geraldine Page, with the Oscar she received last year for best actress.

John Davenport, 82, an author and free-lance writer who was a former assistant managing editor of Fortune magazine, Monday in Red Bank, New Jersey.

Jack Dunn 34, 65, a longtime Baltimore Oriole executive, Thursday in Baltimore after heart bypass and colon surgery.

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Uncertainty Shadows Conciliatory Moves by Chun's Likely Successor

By Clyde Haberman
New York Times Service

SEOUL — As Roh Tae Woo, the man almost certain to be South Korea's next president, was talking about his desire for political reconciliation at a news conference last week, members of his party sat behind him, coughing and dabbing their eyes with handkerchiefs.

Unexpectedly, they had taken in nasty gulps of tear-gas fumes that clung to the clothing of reporters and photographers.

There was mild irony in the discomfort of the ruling group, which was suffering what many of its fellow citizens have endured in tur-

provincial governments. And he said he was willing to discuss the length of his term in office with opposition leaders.

That last effort was seen as a gesture of willingness to eventually resume an essential debate ended abruptly by Mr. Chun: how to change the constitutional process for selecting the national leader.

Pressure may mount for Mr. Roh to convince Koreans he is serious about a dialogue. A likely move would be for his party to advocate changing the electoral college rules to make them fairer; this could lure the opposition to participate in the process and make it seem more legitimate.

But the opposition will probably stick to its boycott plans. Moreover, it is hard to imagine that any of Mr. Roh's pledges might change general attitudes about a government widely seen as unpopular.

Mr. Roh cannot guarantee quick delivery on anything he proposes, for Mr. Chun says he intends to wield power up to Feb. 25, 1988. While his heir apparent talked about democracy to party delegates last week, Mr. Chun barely mentioned the word in his own speech.

It has long been plain that Mr. Chun considers his intention to leave office — the first South Korean leader prepared to do so voluntarily — as being of itself the most important step toward democracy that the country has taken.

Unlike Mr. Roh's remarks, the president's comments emphasized dealing sternly with radicals. "no matter what sacrifice may be necessary,"

A question is whether Mr. Roh will indeed be a substantive change from Mr. Chun. Mr. Roh himself agrees he will pursue his predecessor's basic policies, with their overriding concern for national security, economic progress and limited political dissent.

The major difference, experts say, may involve personal style. Mr. Chun talks incessantly and does not listen, people who have spent time with him say. In contrast, Mr. Roh is said to have accepted the rough-and-tumble of party politics and is more willing to listen.

In the meantime, South Korea must deal with other pressures. The perceived threat from North Korea is likely to persist, and an approaching presidential election year could affect U.S. attitudes.

And, as always, there are the students. They are disciplined, committed and impervious to tear-gas barages. Still, they seem unlikely to be able to trigger massive unrest that could bring down the government.

Not that the band of militant students seems capable of attracting the broad popular support needed to upset the transition. But, as one foreign diplomat put it, "They can make it messy."

It was already messy enough for Mr. Roh. As a key player in Mr. Chun's bloody consolidation of power seven years ago, Mr. Roh faces the same challenges to his legitimacy that have dogged the incumbent president.

One difficult task he faces is to carve a distinct political identity for himself quickly. There are signs he is trying.

Last week he called on the main anti-government party to join in a political dialogue. He proposed — without offering specifics — fewer constraints on the press and on



UN Troops, Protesters Scuffle on Cyprus

United Nations peacekeepers trying to keep Greek-Cypriot demonstrators from passing through a cease-fire line near Nicosia on Sunday. The women wanted to cross to the Turkish occupied north and go to the Turkish Embassy to protest the division of the island. Many of the demonstrators were refugees who fled from the northern part of the island during the 1974 invasion by Turkish forces.

SEOUL: Students Occupy Cathedral but Violence Ebbs

(Continued from Page 1)

done Cathedral, for example, they chose a traditional sanctuary, and the police have not gone in to arrest them. As a result, their occupation of the cathedral has inspired many of the protesters that have sprung up around the site.

The location of the protest also has brought the protection and moral force of the Catholic Church. Priests and nuns have flocked to the church from around the city, and there has been talk of forming

human barriers to defend the students in the event of a police raid.

"We support their spirit of protest of democracy," said Augustine Ko, secretary to the leader of the country's Catholics, Cardinal Stephen Kim. The church is urging the students to forswear violence, he said, and has confiscated gasoline bombs from them.

Thousands of people thronged into the brick cathedral on Sunday. Some came for scheduled Masses;

others were there to support the students.

"I am a Presbyterian," said a seminary student who was strolling through the crowd outside the cathedral during the afternoon. "But today I am coming here specially."

Although priests at the church have generally been supportive of the students, there were signs that the visitors were wearing out their welcome.

A priest who had asked students to move a rally that was being staged outside the church during a Mass was in angry conversation with a student over the issue.

Earlier, priests had urged students to accept an offer from the police for safe passage from the cathedral, but with no promise that they would be free from arrest.

In a statement directed to the students, church officials said: "The church, because of its mission to maintain normal evangelical activities, has certain limitations to continuing to support you in all aspects and we appeal to you to return to your homes, schools and work places as soon as possible."

At several places around the cathedral Sunday, demonstrators and police again fought battles with stones and tear gas.

The violence was limited, however, and on Sunday night, for the first time in five days, the streets of central Seoul seemed returned to normal activity.

Meanwhile, in the city of Chongju, about 2,000 Protestant clergymen and lay people were reported to have staged a march.

On Saturday, policemen wearing helmets and gas masks chased demonstrators in the streets of Seoul late into the night, sometimes pushing them into private homes. At times, the police were showered with chunks of broken pavement and gasoline bombs.

Other People's Action Party sources said legislation to combine 30 to 33 single-member constituencies into larger voting units, each with candidates standing under one party banner, might be put to Parliament for approval in the last quarter of 1987.

Chiam See Tong, an opposition member of Parliament, said the People's Action Party's superior organization and resources would give it an unfair advantage in campaigning for three-member electorates.

"The end result, as I see it, could be perpetual and absolute control by the PAP," he added. Government sources denied this, saying that if anti-government feeling was strong, the party risked losing seats in multiples of three.

They said the establishment of an elected presidency was dependent on the timing of Mr. Lee's retirement as prime minister.

Mr. Lee forebore his intention to step down when he referred at a National Day rally in 1984 to the practice of chief executive officers in U.S. corporations retiring at 65 after ensuring a smooth succession.

In an American television interview, a summary of which was published in Singapore on Sunday, Mr. Lee said he had not made up his mind when to retire but would probably make the decision next year. He will be 65 in September 1988.

Mr. Lee is the logical candidate to become Singapore's first elected president, and his occupancy of that post will help sustain confidence in the future of the country, Mr. Rajaratnam added.

Mr. Goh, the first deputy prime minister, is considered by most political analysts to be the most likely candidate to succeed Mr. Lee.

French Minister

Rejects AIDS List

PARIS — The French health minister, Michele Barzach, rejected on Sunday a plan by the Alpes-Maritimes department to keep an anonymous record of people infected with the AIDS virus.

The minister issued a statement saying the plan, which the Alpes-Maritimes authorities maintain will make it possible to follow the progress of the disease more closely, overstepped the department's powers, which cover only measures to combat "venereal diseases," her statement said.

The Alpes-Maritimes department, which borders Italy, is one of France's most politically conservative regions. The departmental council approved the plan for a computer register of AIDS carriers on Friday.

REAGAN: Fights Ahead

(Continued from Page 1)

sy, but the televised proceedings remain a source of attention and concern to his advisers.

Last week, at his news conference in Venice, Mr. Reagan devoted about as much time to answering questions about the Iran-contra affair as he did about the summit meeting and the Gulf.

On budget priorities, Mr. Reagan and the congressional Democrats have been at odds since the beginning of the year, with the president continuing to oppose tax increases or defense cuts.

White House strategists have watched with some satisfaction as the Democrats have been unable to agree among themselves on an alternative to the president's priorities. During this period, Mr. Reagan spurned Democratic appeals for negotiations on the budget.

As White House officials view it, the next phase calls for a public campaign by Mr. Reagan for his budget priorities and for some kind of overhaul of the budget process. Mr. Reagan intends to make a series of appearances around the country in the next few weeks to underline this theme.

The White House has yet to embrace a plan for overhauling the budget process, but Mr. Reagan's chief of staff, Howard H. Baker Jr., has had extensive talks with congressional leaders. White House officials say an agreement on changes in the budget process could ease a compromise on the budget itself.

However, there are few signs that Mr. Reagan is willing to offer any concessions, such as increased taxes or cuts in defense spending. Some White House officials said he was so insistent on this that he would prefer to leave office next year defending his priorities rather than make progress in reducing the deficit by compromising on these points.

Despite his assertion that the U.S. deficit was reduced by \$40 billion last year, allied leaders in Venice complained to Mr. Reagan that the U.S. fiscal imbalance was hindering their economies.

POPE: Jaruzelski Upbraids John Paul, Sees 'Alien Manipulations' of Truth

(Continued from Page 1)

relationship with the Communist government.

Sounding a note of conciliation with the government, John Paul indicated that the establishment of formal ties between the Vatican and Poland, long sought by General Jaruzelski, was a real and in many ways desirable prospect.

However, the pope cautioned, "We are facing a serious work," which he said was aimed not only at the realization of formal ties but also at "making it credible for the nation and the church."

The church, he added, should seek "collective cooperation" but

"must not overlook" such matters as human rights and the principle of participation in the political sphere "without discrimination."

The pope's remarks and his willingness to meet a second time with General Jaruzelski appeared intended to add a final note of balance to a visit in which John Paul was otherwise unrelenting in his political demands on the government and almost unqualified in his support for the opposition.

During his week in Poland, the pope met privately with and served communion publicly to Lech Wa-

NORMANDY: 'Museum of Ideas'

(Continued from Page 1)

scholarships so that historians can come to Caen and study the battle. One project is a computerized index of all available source material on the battle; most of the material is scattered in different countries. Another idea is an audio-visual archive that would contain everything from Hollywood movies of the epoch to miles of intelligence pictures that have not been looked at since the war.

But the project is primarily meant to be a memorial to the battle that raged around this ancient city for two months in the summer of 1944, an attempt to tell younger generations why it was fought, in the hope that something like it will never have to be fought again.

The museum of glass and white Normandy stone will rise above the bunker headquarters where General Wilhelm Richter, commanding the German 16th Infantry Division, directed the battle against British-Canadian forces advancing on Caen from the Normandy beachheads.

Within the museum, visitors will be led on what the designers call "a voyage through memory," from the Treaty of Versailles, through the jazz age and the rise of Nazism to the occupation of France and the Holocaust.

The crowning part of the visit will be a 15-minute "spectacular" of the invasion itself followed by another display illustrating the memorial's message of peace.

Despite the fact the building still is an empty shell, all of this is supposed to be ready for inauguration by June 6 next year, the 44th anniversary of the battle.

The mastermind of the project, Jean-Marie Girault, the mayor of Caen, raised his shoulders in a shrug. "It has to be ready," he said.

Mr. Girault, who was an 18-year-old Red Cross worker during the battle, had the idea of building the memorial shortly after becoming

mayor in 1970 because, as he once explained, "we have the duty to ensure the survival of the memory of the events of 1939-45."

But first he had to complete the task of repairing the ravages of war, which destroyed three quarters of the town. It was not until 1983 that he was seriously able to embark on his dream by beginning an architectural competition for the memorial.

The official ground-breaking took place in September. Thirteen countries, including both East and West Germany, sent commemorative stones.

"This museum had to be built in Caen, and it had to be done now," Prime Minister Jacques Chirac said at the time. "It will be a temple of our Western values where younger generations will come to meditate, think and feed their energy from the springs of history."

After visiting the museum site, the American party traveled about 30 miles (48 kilometers) to Omaha Beach, where U.S. forces suffered their worst mauling of the battle as they came ashore in the teeth of German heavy artillery and machine gun emplacements.

"If there was ever a consecrated piece of ground bought with American blood, it was Omaha Beach," said Mr. Chirac, who was a captain in the 501st Parachute Infantry jumped behind German lines on D-Day.

In the cemetery on the heights above the beach, 9,386 Americans are buried beneath simple white crosses and stars of David. 30,000 U.S. soldiers, seamen and airmen died during the 76 days of the Battle of Normandy.

All told, 3,120,000 combatants took part in the battle, and 367,000 were killed or wounded.

"Here was the beginning of the end for the Nazis," said Mr. Thunmond, who participated in the battle as a major in the 82d Airborne Division.

BARBIE: France Views Nazi Years

(Continued from Page 1)

Delirium of Deficiency — a New Form of Manifestation of Melancholy." Dr. Lafont said he found that article and others like it in the annals of France's psychiatric society.

"Psychiatry was contaminated right to the marrow by a profound clouding of the scientific mind, blind before facts and incapable of interpreting them," he wrote.

To illustrate his assertions, Dr. Lafont reproduced a photograph of a group of naked patients from a hospital at Clermont-de-l'Oise, north of Paris. The skeletal figures, photographed after the 1944 liberation, are reminiscent of concentration camp victims.

Almost esoteric by comparison is the debate over Brasillach, who was known for an elegant turn of pen, particularly in his novel "How Time Passes."

Brasillach, who made no secret of his fascist leanings before the war, became editor of the collaborationist weekly Je Suis Partout (I Am Everywhere).

In one editorial he called for the execution of Communist politicians held in French prisons, denouncing "these men who are moral accomplices of Resistance fighters."

"Why are we writing to strike them?" he wrote. "What are we waiting for to shoot the Communist deputies who are already imprisoned?"

He was shot on Feb. 6, 1945, at age 36, after the rejection of a plea for mercy signed by several other

writers, who were not political sympathizers with him, such as Albert Camus and François Mauriac.

The current debate was prompted by a new book on his work by Anne Brasseur. Her critics see the book as an attempt to vindicate Brasillach's politics.

Brasillach's fate has been discussed in two television programs over the past two months. In one, Alain Decaux, a member of the French Academy, concluded that while Brasillach's activities were reprehensible, his punishment was too harsh.

Against this background, a propaganda campaign, mostly in the form of leaflets distributed in schools, has sought to deny the very existence of the gas chambers. It appears aimed at countering an order by Prime Minister Jacques Chirac that children of high school age should receive extra instruction about the Vichy laws against Jews.

The main figure in the campaign is Robert Faurisson, who was suspended as a Lyon University literature professor because of his theories. He contends that, since nobody ever witnessed an actual death in a gas chamber, there is no proof. He has been convicted of libel for publishing such theories in the past.

A leaflet bearing his signature and distributed June 2 outside the Lyon courthouse denounced publically about the Holocaust as "Shoah-business," a play on "Shoah," the title of Claude Lanzmann's nine-hour film on the Holocaust.

The authorities responded to the pope's tour with a show of police force. Since the period of martial law imposed under General Jaruzelski from December 1981 to July 1983, the pope's visits to Poland were censored from state media, and television coverage was strictly limited.

This week, business, government and military leaders in Asia, Africa, Europe and the Middle East will turn their attention to the Paris Air Show. But first, they'll turn to The International Herald Tribune.

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French Minister Rejects AIDS List

PARIS — The French health minister, Michele Barzach, rejected on Sunday a plan by the Alpes-Maritimes department to keep an anonymous record of people infected with the AIDS virus.

The minister issued a statement saying the plan, which the Alpes-Maritimes authorities maintain will make it possible to follow the progress of the disease more closely, overstepped the department's powers, which cover only measures to combat "venereal diseases," her statement said.

The Alpes-Maritimes department, which borders Italy, is one of France's most politically conservative regions. The departmental council approved the plan for a computer register of AIDS carriers on Friday.

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For Aquino, Shultz Has Praise, but No More Aid

By Neil A. Lewis
New York Times Service

MANILA — Secretary of State George P. Shultz arrived here over the weekend bearing expressions of good will but no financial aid bonuses for the government of President Corason C. Aquino.

"When you think of what they have accomplished in the Philippines in what, a year and a half or something like that," Mr. Shultz said aboard his plane en route, "it's quite a success story."

He said economic initiatives had resulted in a real growth rate of more than 5 percent for the last quarter. "Their foreign exchange position is pretty good, and they have rescheduled their debt," he said. "They really have done quite a job."

He also praised Mrs. Aquino for taking a harder military line against the Communist insurgency after having first tried an offer of amnesty to induce the rebels to lay down their arms.

But Mr. Shultz said he regretted that overall budget cuts this year had resulted in a \$50 million reduction in what Washington had hoped to provide in military aid to Manila.

The United States is giving the Philippines \$413 million in overall aid this year, including \$50 million for the military. The administration originally had sought about \$100 million in military aid.

"I think the United States can say we've done well," Mr. Shultz said, "except I wish we had not had to reduce the military assistance program in the way we did."

When he meets with Mrs. Aquino on Monday, he is to sign an



Some of about 2,000 backers of Former President Ferdinand E. Marcos picketing George P. Shultz's Manila hotel Sunday.

agreement to deliver \$163 million of this year's aid, but this is money that has already been allocated.

"We don't have any extra money for her this year," a U.S. official said. "The main purpose of the visit is to show the flag, to reassure Cory we haven't forgotten her."

Philippine officials have been expressing irritation and disappointment that U.S. aid has been slow in coming and have said that this has hampered their efforts to battle the rebels. One U.S. official said that the complaint was unfounded but that the Manila government was edgy because of the recent election and the continuing fighting.

Nonetheless, the United States delivered 10 helicopters to the military early in June.

"The basic judgment of the intel-

ligence community is that the insurgency has continued to grow," the U.S. official said. "but at a much slower rate."

One issue that is in the background of the Shultz-Aquino talks but is not likely to be discussed is the future of the U.S. bases in the Philippines.

The agreement on the bases expires in 1991, but U.S. officials said they were not pressing Mrs. Aquino to settle the issue. "We want to cool it on this," said one, adding that with local elections coming later this year, "we want to keep contentious issues like the U.S. bases out of them."

Mr. Shultz said that the issue of the base agreement would probably be brought up "in due time." However, he said that it would not be raised during this visit, his third since Mrs. Aquino assumed office. "She's been concentrating on other things," he said of Mrs. Aquino.

A-Ban Facing Test at the Polls

New Zealand Law Is Big Issue in Election Expected Soon

By Charlotte Evans
New York Times Service

WELLINGTON, New Zealand — New Zealand's ban on nuclear arms and nuclear-powered ships is now a matter of law, not just government policy, and the issue is certain to be a major one in national elections expected in the next few months.

The ban, which has strained relations between Wellington and Washington, became law by a 39-29 vote of Parliament on June 4, codifying the policy that has been in effect since Prime Minister David Lange's Labor government was elected three years ago on a pledge to make New Zealand nuclear-free.

The legal ban is an important symbol for anti-nuclear militants in New Zealand, who regard it as an example for the world.

But the jubilation of activists was tempered by the knowledge that an election victory by the opposition National Party over Labor will almost certainly mean repeal of the new law.

Jim Bolger, the leader of the National Party, called passage of the law "an exercise in futility" and said it did not make any contribution to arms control and did not guarantee that New Zealand would be immune from nuclear weapons.

Further, he said, it pushed aside the views of the many New Zealanders who are disturbed by the country's status in ANZUS, the mutual defense alliance with Australia and the United States. Because of the nuclear-weapons dispute, the United States has said it no longer feels obliged to come to New Zealand's aid.

While the ban has provoked trouble at an official level between the United States and New Zealand, it has not resulted in anti-Americanism. Indeed, an American living outside the diplomatic community might never hear of the nuclear issue at all, in contrast to the daily ribbing Americans took from New Zealanders when local boats were doing well early in the America's Cup races this spring.

Although the Labor government is adhering to its no-nuclear-ships policy, it does not check what kind of weapons may be aboard U.S. planes that are allowed to use a base at Christchurch that is involved in an Antarctic research program called "Operation Deep Freeze." That U.S. program is worth about \$10 million a year to New Zealand.

Whatever their view of U.S. nuclear power and ships, New Zealanders acknowledge that the United States has immense influence on the their daily lives, and talk about the United States is

more likely to be about its television programs, movies and books than about the atomic issue.

"American values are now an integral part of our culture," said Mattie Wall, a public-relations consultant in Wellington, who returned to New Zealand last year after two years as vice consul in New York.

"All the changes in New Zealand in the last three years have moved us toward a greater Americanization in a loose sort of way," she said. "There's an increase in competition, an increase in recognizing ambitions, impatience, speed, material wealth."

At the same, she said, her generation had inherited, as a result of American participation in the Vietnam War, "an innate skepticism and cynicism about America's foreign policy motives and its capacity for being sensitive."

Others disagree with her view of Americans.

"I think they're a bloody marvelous people," said Bill Godfrey, president of the Ex-Vietnam Services Association, comprising veterans who fought in Vietnam. "One thing that's overlooked is that you can look anywhere in the world today and there are two big brothers. One is flying the hammer and sickle and the other is flying Old Glory. You takes your choice."

Angola Leader Rules Out Talks With Rebel Group

By David B. Ottaway
Washington Post Service

WASHINGTON — An Angolan leader has ruled out talks with U.S.-backed anti-Communist rebels and has warned that the worsening conflict between South Africa and neighboring black African nations makes the withdrawal of Cuban troops more difficult.

Pedro Van Dunem, second-ranking member of the Politburo of Angola's ruling party, met Thursday with Chester A. Crocker, an assistant secretary of state.

In an interview Friday, Mr. Van Dunem gave no indication that he had made much progress toward persuading Washington to establish diplomatic relations with his government.

He seemed to suggest a widening divergence of interests between his government and the United States, and little hope for improved relations.

The basic interest in the United States, he said, "is withdrawal of Cuban troops, and everything is conditioned on this." The United States estimates there are 37,000 Cubans in Angola.

Mr. Van Dunem, on his first trip

to the United States, said Angola was interested for economic as well as political reasons in seeing the Cubans left his country and would order them to go "as soon as conditions permit this."

But he said South Africa's strikes into neighboring countries made the prospects for a Cuban withdrawal more difficult.

Mr. Van Dunem also said his government continues to reject direct talks with Jonas Savimbi's National Union for the Total Independence of Angola, or UNITA. The insurgency is backed by South Africa and also receives \$15 million in covert military aid from the United States.

The Reagan administration has been pressing Angola to open talks with UNITA.

"If we have to negotiate, it's with South Africa we will negotiate," Mr. Van Dunem said.

He denied that his government was preparing a big offensive against UNITA forces this summer, but he indicated that Angola would launch its usual dry-season attacks. Mr. Savimbi has said he expects a major government offensive.

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Thatcher Triumphs Again

Margaret Thatcher set out in 1979 to change the course of British politics. To a remarkable degree she has succeeded, and now, in another great triumph, she has won five more years for her Conservative Party to push the country toward, as the prime minister might put it, the virtues of self-reliance and individual initiative.

For America, Mrs. Thatcher's victory also means a stable and reliable ally. It was not only the Reagan right wing that found the Labor Party's view of the world alarming. Mrs. Thatcher's style of leadership is, by any standard, aggressive. Her manner is deliberately divisive, and British politics has become increasingly polarized. The Alliance of the Liberal and Social Democratic parties, which stands for the old style of consensus politics, was the biggest loser in Thursday's voting. The split in her opposition between Labor and the Alliance has enabled Mrs. Thatcher to win large parliamentary majorities with less than half of the

popular vote. On Thursday the Conservatives got just over 42 percent of it, close to their shares in 1983 and 1979.

The past eight years have been good ones for many in Britain. But the disparities have been widening. The South prospers while the North is deep in depression. Most of heavy manufacturing keeps sinking while other industries, particularly those involving finance and electronics, do conspicuously well. Unemployment has been stuck around 11 percent for five years; there is now a subclass of the more or less permanently unemployed.

If the British economy is being strengthened, this is being achieved at a substantial cost. But Mrs. Thatcher has unquestionably given much of her country a sense of pride and possibility that was not there when she first came to power. This extraordinary third consecutive victory, a feat unparalleled in modern British history, now enables her to continue her campaign for national renewal.

—THE WASHINGTON POST.

Five Crimes of Conscience

Fawn Hall, secretary to Oliver North of the National Security Council staff, smuggled her boss's documents out of the White House on Nov. 25 as the administration shut down his Iran-contra operation. It was not a cover-up, she told Congress last week; she was merely "protecting" the enterprise. From whom? "From everyone." Outsiders were threatening the hostage negotiations and new aid for the Nicaraguan rebels.

Senator Warren Rudman protested, "Well, it wasn't the KGB that was coming. Miss Hall, it was the FBI." No use. Oliver North's loyal aide knew who the enemy was: not Moscow or Managua, but any opponent of the covert operation, including Congress. This attitude could hardly be a more banal symbol of the power-lust and contempt for constitutional government unfolding before the investigating committees. Witnesses like Richard Secord, the former general turned arms dealer, and even Robert McFarlane, the onetime White House moderate, voiced frustration over the need to share power with Congress and information about terrorism policy with the American people.

What did the Reagan administration do that was so wrong? Lee Hamilton, chairman of the House investigating committee, spelled it out. The administration:

- Created a private network to carry out U.S. foreign policy, contrary to law.
- Enlisted philanthropists and profiteers to buy and sell arms for Iran and the Contras.
- Sent its emissaries to beg money from third countries.
- Ransomed hostages.
- Lied about it all.

Russia's Other Reformers

The world watches Mikhail Gorbachev's reforms with hope and wonder. President Reagan challenges him to go further with *glasnost* and tear down the Berlin Wall. East German youths trying to hear a rock concert in West Berlin chant his name. How fast and radically can the Soviet system be changed without bringing on reaction?

History offers some answers. Mr. Gorbachev has precursors. Reformers have periodically surfaced in Russia who, seeing their vast country trailing other nations, set out to make changes with some success.

Peter the Great was the grandfather of reformers. He sought, 300 years ago, to remake Russia in Europe's image. Agriculture, scholarship, the military, dress—all were transformed. Peter turned the country into a great empire. Yet he did not radically change the autocratic system.

Alexander I in the early 1800s liberalized the state, abolishing the torture of criminals, freeing political prisoners, allowing the sale of foreign books. Fifty years later, Alexander II abolished serfdom in the hope that free labor would be more efficient. He also set up popularly elected local assemblies and introduced jury trials.

Some historians believe the reform movement would have prevailed but for World War I. As it was, of course, communism won out. Yet when Lenin was confronted with a troubled economy in 1921, he responded with his New Economic Policy, partially restoring capitalism. "It is necessary sometimes to take one step backward so we can

take two steps forward," he said. The NEP brought a strong recovery. Yet Stalin threw it out for the rigidly centralized economy that his successors have struggled with ever since.

Most familiar as a reformer is Nikita Khrushchev. Like Mr. Gorbachev, he urged cultural thaw and political change as a way to invigorate the economy and overtake the West. Mr. Gorbachev's reforming zeal is pragmatic, like Alexander II's freeing of the serfs or Lenin's NEP. Far from hoping to overtake the United States, he must worry about being overtaken economically by the likes of Brazil or even South Korea.

Yet Mr. Gorbachev presses forward. Hardly a day goes by without another initiative inconceivable even five years ago. Last week he decided on a further loosening of central controls over the economy—but without basic restructuring.

He is succeeding with the intelligentsia. Some urge even farther-reaching economic reforms. For the masses, however, there is just more exhortation and less vodka. Some in the military, whose leadership Mr. Gorbachev has just overruled, oppose the attempt to break their grip on the economy. Many bureaucrats are known to be unhappy.

History's lessons are not all negative. Those who say the system is too rigid for reform should ponder Lenin's NEP in which the system accommodated real change without losing its character. Lenin, it should be noted, intended this as a temporary retreat. Does Mr. Gorbachev strive for more?

—THE NEW YORK TIMES.

Other Comment

Change in South Korea?

South Koreans will have the chance in December to vote indirectly for their next president, but no suspense attaches to the outcome of that balloting. Roh Tae Woo, nominated by the ruling Democratic Justice Party, can confidently expect to take office Dec. 25 as the successor to President Chun Doo Hwan. Mr. Roh's inauguration will be a milestone of sorts, marking what the regime is pleased to cite as the first peaceful change of leadership in Korea's modern history. Peaceful, though, is a relative word. As student riots over the last few days have shown, the pending transfer of power represents something less than a consensual decision.

Mr. Roh is a lifelong friend of Mr. Chun and, like him, a former general. But Mr.

Roh is regarded as the more broadly experienced, and possibly more flexible than the highly unpopular Mr. Chun.

The absence of a functioning democracy in South Korea has not stood in the way of enormous economic progress. Expanding prosperity does seem to have made many, perhaps most, South Koreans wary about activities that seem to threaten stability. This represents not so much an endorsement of the status quo as a concern about the proffered alternative to it.

Mr. Roh, like Mr. Chun, says that constitutional revision cannot come until after Seoul plays host to the 1988 Summer Olympic Games. Perhaps. But there is nothing to prevent the ruling party from moving to expand basic freedoms well before then.

—THE LOS ANGELES TIMES.

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OPINION

Thatcher Walks Over a Worrisome Foe...

By George F. Will

Socialism is about equality. Since Mrs. Thatcher came to power in 1979, inequality has increased. This is central to her program. Thatcherism is, aggressively, a meritocratic antidote to decades of egalitarianism. Labor has no vocabulary for celebrating individual success and has always regarded prosperity as a political problem.

Americans in their sentimental Anglophilia think of Britain as a temperate society in which politics partakes of the general civility. Not true. Politics here is constantly and comprehensively more bitter than American politics has been in this century. Politics become bitter when the stakes become unhealthily high.

In 1953, Churchill said the differences between the parties were differences of emphasis, not of goals. But on Thursday, voters were choosing, as Americans have not had to do since the eve of the Civil War, between starkly different destinies. The hard, Marxist left comprises

a large portion of the Labor Party and is disproportionately influential. Labor is far to the left of any socialist party that has ever governed in France or Germany. It is committed to unilateralism, a command economy and a controlled society. And it received about 32 percent of the vote. (The high tide of the French Communist Party was 28.6 percent in 1946.)

Had Labor won, Britain would have undergone a wrenching change far more radical than even that of 1943. The Churchill, an anti-communist internationalist and conservative welfare-state paternalist, was replaced by Clement Attlee, also an anti-communist internationalist but a mild socialist democrat.

Labor remains the principal opposition, with its leftist hardening behind the smiling face it now prudently presents to the public. Someday the principal opposition party will come to power. The question is: Will it be Labor and, if so, will it still be hospitable to those who want Britain to succeed from the West?

Washington Post Writers Group.



By KAL in The Economist (London), CSM Syndicate

Her Prize: A Nation Ever More Divided

By William Pfaff

PARIS—Margaret Thatcher, a democrat and a radical, has conducted a far more savage and effective assault upon the inherited assumptions of British political life, and the class assumptions underlying it, than the Labor Party ever did when it was in power. The result leaves the country divided on new lines of fault.

Her re-election as prime minister reveals a poor Britain divided from a rich one, a radicalized Britain from a complacent one, North from South, Scotland and Wales from England. Mrs. Thatcher would say that it is also a division between old and new, backwardness and progress.

She declares her intention to drive socialism away from England's blessed plot, this other Eden, before her third term is completed. She has already broken or exiled all who stand for the traditional paternalism of the Conservative Party, whom she has regarded as obstacles to the installation of market forces and as apologists for the welfare state.

The British welfare state was the creation of a privileged class, which saw it as fulfilling the social bargain made with the rest of the nation in the two world wars. Mrs. Thatcher thinks it a bad and unsuccessful bargain, to be ended. The Beveridge Plan for universal social security was presented in 1943, under Churchill's prime ministership. Labor, after the war, only extended and enlarged what the wartime coalition began.

Since 1979, Mrs. Thatcher has inspired a successful rebellion against paternalism and welfare. Her belief, she believes, is a revolution of freedom, favoring individualism, energy and innovation. Her market measures, however, first resulted in unemployment and "deindustrialization." Two years ago it was possible to argue that however meritori-

ous Thatcherism's goals might be, they had not been attained—and time was running out.

Early last year, that changed. Unemployment began to drop, productivity and export performance to improve, business confidence to soar. The progress in the economy reflected favorable international and domestic influences, and Britain still

depends on North Sea oil, which is running out. Still, the morale of British business and of the country's leadership has been transformed.

In addition, Mrs. Thatcher has broken the power of a union movement which had become reactionary, Luddite, and corrupt. She sold off nationalized corporations, and people bought the shares. She sold "council houses"—public housing—to tenants, in defiance of a conviction peculiar to the British left, that political virtue lies in workers' not owning their own homes.

Mrs. Thatcher's successes have been purchased at the cost of intensified social conflict. Her enemies, the socialists, the Alliance of the Liberal and Social Democratic parties, and in a more muted voice, the Tory "Wets," as she calls them, say that she has chiefly rewarded greed and selfishness. The attack made upon her in this election campaign was fundamentally a moral one. She was accused of being an enemy to generosity and tolerance.

She was accused of deliberately abandoning to waste and poverty

those unable to compete. A foreign journalist quotes a voter as saying: "She has the mentality of the grocer in my father's village in the old days, who wouldn't give credit to the miners when they went on strike. When the strike was over the village split in two, between those who would buy in his store and the rest. Hatred took charge on High Street. Today's England is like that village."

Neil Kinnock's campaign took leadership away from the Labor Party's radical wing and made Labor once again seem a potential party of government. This accomplishment was not rewarded. So Labor's radicals have been strengthened, and they represent a fraction of the public more deeply alienated from society and government than exists anywhere in Europe today.

The place of Labor's surviving moderates has been worsened. The option they before seemed to possess to leave Labor and join the moderates who left earlier to start the Social Democratic Party, now seems closed. The election was a catastrophe for the Alliance. The moderates have been routed.

Mrs. Thatcher returns to 10 Downing Street in mitigated triumph. She has lost seats and leads a party with a minority of the national vote. She governs by virtue of the opposition's division. She has destroyed Tory paternalism and inflicted three defeats on Labor welfareism. She has easily, even contemptuously, prevailed over the unideological centrists, the compromisers.

But by her remorseless rejection of compromise she has incited unprecedented bitterness to all that divides the country. Of the Western nations, Britain is least at peace with itself, least reconciled to its condition. It is not a prospect that reassures.

International Herald Tribune.
Los Angeles Times Syndicate.

ASEAN: The Base for a Broad, Powerful Economic Grouping

By Hahn Been Lee

SEOUL—The emergence of ASEAN is a sign both of the potential and of the constraints involved in any effort to shape an economic community of nations around the Pacific.

The Association of Southeast Asian Nations has the human and material resources to become a considerable economic force by the year 2000. Its six member-states could form a market of 400 million people by then. But its economic cohesion is weak, due mainly to competitive production and the differing stages of development among its members.

ASEAN is alone in grouping non-communist countries in the economically dynamic rim of East Asia. Only when it gains confidence can a larger regional cooperative system be built on that base.

The logical framework for wider Pacific cooperation is a tripartite form by ASEAN, Japan and the United States, much as West Germany, France and Italy formed the early core of European economic cooperation that led to the European Community.

Japan will need ASEAN for raw materials to support its domestic industry and as a market for

its goods. The sea lanes that run through the Southeast Asian archipelago are the arteries that bring oil from the Middle East to Japan.

For the United States as a global power, ASEAN is a strategic pivot between the Pacific and Indian oceans. The Cambodian conflict, and the access it has given the Soviet Union to military bases in Vietnam, underscore ASEAN's crucial position.

There may be little reason for a formal Pacific alliance, but a mosaic of substantial economic ties linking ASEAN to Japan and the United States would have many benefits to America.

For ASEAN, the main sources of capital and technology are Japan and the United States. By piling up huge surpluses with America and other trade partners, Japan has become by far the most important capital-exporting country in the Pacific. The lion's share should, in the interests of vigorous long-term Pacific cooperation, flow to ASEAN.

Japan's excess capital is the product of hard work and savings, and a relatively low defense burden. The security umbrella provided by the United States has allowed Japan for years to spend less than 1 percent of its gross national product on defense while the United States and many other countries spend 7 percent or more.

Japan's annual GNP amounts to about \$2 trillion. Six percent of that, or \$120 billion, is the additional amount Japan would have to put toward defense if it were to make an effort commensurate with its main ally. The savings that have accrued to Japan, when compounded over an extended period, represent a huge sum of excess capital.

Benefits assessed in this fashion should be dispensed to promote a new era of Pacific cooperation.

The writer, a former deputy prime minister of South Korea, is professor of public policy at the Graduate Institute of Peace Studies at Kyung Hee University in Seoul. He contributed this column to the International Herald Tribune.

LETTERS

Lords Have Mercy

British titles, whether inherited or awarded, continue to bemuse my writers. To have William Safire ("During to Speak of Modest Auxiliary") May 18 refer to Lord Alfred Douglas as Lord Douglas seemed careless, but then he is writing from America. When, however, Hebe Dorsey ("They'll See Each Other at Maxine's") May 26 misplaces our three most interesting ambassadors as Lord Fretwell (Sir John Fretwell), Christopher Soames (Lord Soames) and Lord Henderson (Sir Nicholas Henderson), one begins to wonder whether precision in grammar and position in society are more important than checking facts.

STEVEN SPURRIER
Paris.

A Musical Winner

On a visit to Paris, I was interested to see your article on Witold Lutoslawski ("Poland's Envoy to a Musical World") May 27. It contained much useful and informative material.

One significant event of his recent career was omitted, however. Mr. Lutoslawski was in 1985 the first winner of the Grawemeyer-University of Louisville Award, an annual prize of \$150,000, which is the world's largest musical award. He came to Louisville to accept it, and to conduct a concert of his work with the Louisville Orchestra. He announced there that he would devote the prize money to helping young composers, regardless of national origin.

BARRY BINGHAM SR.
Louisville, Kentucky.

A Force for Peace, If Only It Doesn't Overreach

By Michael Leifer

SINGAPORE—When foreign ministers of ASEAN, the Association of Southeast Asian Nations, assemble here today for their annual meeting, a major consideration will be the agenda for a December gathering of their heads of government in Manila. That summit conference will mark the 20th anniversary of ASEAN's formation in August 1967 as an organization for nonmilitary cooperation in the region.

There were two previous summit meetings, in February 1976 and August 1977. Delay in convening a third has stemmed partly from fears that it might be purely ceremonial, thus diminishing ASEAN's reputation.

The association's standing owes much to the role its members have played in rallying a strong diplomatic challenge in the United Nations and elsewhere to Vietnam over its occupation of Cambodia since 1975. ASEAN's members—Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand—do not want to be seen as a one-issue group. Yet their professed interest in closer collaboration, especially in economic matters, is not matched by any practical program to intensify cooperation.

Extensive discussions among senior officials and representatives of the private sector have yet to produce a viable formula for substantial linkage could jeopardize the more viable ASEAN trade liberalization. The zone of peace that the association has established among its members.

The writer, a visiting professor of political science at the National University of Singapore, contributed this column to the International Herald Tribune.

By Michael Leifer

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IN OUR PAGES, 75 AND 50 YEARS AGO

1912: Taft Holds Edge

NEW YORK—The Republican Presidential nomination hangs on a hair-trigger. Reports from Chicago indicate that President W.H. Taft has a slight advantage. All the contests decided by the National Committee [on June 14] were favorable to him. The President, austere and determined, insists on going ahead, believing that he can demolish Theodore Roosevelt's hopes early in the contest. He said: "There will be no compromise. My information is that I will be nominated on the first ballot.... There is no betting in either New York or Chicago. There is intense bitterness between the factions. A first fight took place in one of the ante-rooms of the building where the National Committee meets, and 'liar,' 'thief,' 'scoundrel' and 'skunk' are mild terms in the conversations between politicians."

1937: Bilbao Is Bombed

PARIS—General Francisco Franco's troops yesterday [June 14] stood at the gates of Bilbao, ready to enter the city today, while Nationalist headquarters announced, "Bilbao can be considered as taken." Nationalist planes dropped tons of bombs on the city. Patrols of attackers were said to have entered. Two destroyers were dispatched from Saint-Jean-de-Luz to evacuate all British Consuls in the Bilbao and Santander region. It was reported that 18,000 Basques were cut off in the hilly country north of Bilbao by mechanized columns. The retreating defenders left vast quantities of arms and munitions behind them. Meanwhile, Madrid, in a desperate effort to draw Nationalist forces away, ordered attacks on other fronts. General Mija was ordered the immediate evacuation of Madrid's civilian population.

Last Week		This Week	
NEW YORK	100	NEW YORK	100
CHICAGO	100	CHICAGO	100
LONDON	100	LONDON	100
PARIS	100	PARIS	100
BERLIN	100	BERLIN	100
TOKYO	100	TOKYO	100
HONG KONG	100	HONG KONG	100
SINGAPORE	100	SINGAPORE	100
MANILA	100	MANILA	100
COLOMBO	100	COLOMBO	100
CEYLON	100	CEYLON	100
INDONESIA	100	INDONESIA	100
MALAYSIA	100	MALAYSIA	100
PHILIPPINES	100	PHILIPPINES	100
THAILAND	100	THAILAND	100
Vietnam	100	Vietnam	100
Laos	100	Laos	100
Cambodia	100	Cambodia	100
Sierra Leone	100	Sierra Leone	100
Liberia	100	Liberia	100
Ghana	100	Ghana	100
Senegal	100	Senegal	100
Gambia	100	Gambia	100
Guinea	100	Guinea	100
Sierra Leone	100	Sierra Leone	100
Liberia	100	Liberia	100
Ghana	100	Ghana	100
Senegal	100	Senegal	100
Gambia	100	Gambia	100
Guinea	100	Guinea	100

Aviation: Changing the Rules

Second Thoughts in U.S.

Calls Grow For a Return To Regulation

By Martha M. Hamilton

WASHINGTON—Airline industry officials have an incantation that they use to ward off attempts to deregulate the industry.

Airline passengers have saved \$6 billion annually as a result of deregulation in 1978, according to a 1986 Brookings Institution study, and no congressional hearing, no speech goes by without reference to that report.

But increasingly, those same industry executives are confronting angry consumers and politicians who are asking whether consumers have not paid in other ways.

A rising number of complaints to the Department of Transportation about delayed flights, lost luggage, overbooking and other consumer troubles has prompted proposals to keep a tighter rein on the industry. In May, Transportation Secretary Elizabeth Hanford Dole wrote to the major passenger airlines warning of possible federal action unless the situation improved.

The department's response appeared to be, at least in part, its own attempt to head off efforts to increase airline regulation by members of Congress—who are frequent flyers themselves and no more tolerant of a lost bag than anyone else.

Although passenger complaints about service appear to be pushing U.S. policy makers to reconsider deregulation, it is not the only force at work. The wave of mergers and bankruptcies in the industry over the past several years has recreated an industry that looks quite similar in some respects to the industry that was deregulated in 1978.

That worries some lawmakers.

The airline deregulation act was expected to facilitate new entries and vigorous price competition in the industry.

"For a while it worked. Several dozen new airlines entered the market from 1978 to 1985," said Senator Howard M. Mankin, an Ohio Democrat.

But he added that many of those same carriers have disappeared, and the industry has become more concentrated. In the short term, there is still price competition; in the long run, he predicted, prices will rise.

A study by the Transportation Center at Northwestern University in Chicago found that, during the first nine months of 1986, the top 10 air carriers controlled 94 percent of the market, compared with 90 percent controlled by the top 10 carriers in 1970.

"Of the 34 instant airlines [carriers that entered the market after deregulation] 23 have failed, and all six supplemental charter services have disappeared," wrote Frank A. Spencer and Frank H. Cassell in the study. "Of 541 nonhub airports, 150 have lost all service. More than half of the airlines in business in 1978 and two-thirds of the new carriers have failed."

In 1986 and 1987, several larger airlines acquired regional carriers, expanding their reach to allow them to compete in the new land of mega-carriers. American Airlines acquired Air Cal; Delta acquired Western; and USAir Group Inc. acquired Pacific Southwest Airlines. But the wave of mergers has begun to slow because most of the logical acquisition targets have been snapped up.

The largest airline company, after the wave of consolidation, is Texas Air with its fleet of 620 airplanes, about 200 more than the next largest competitor. The low-cost airline empire built by Frank A. Lorenzo is actually two airlines—Eastern Airlines and Continental, which absorbed New York

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Many 'flag-carrier' airlines may be forced into new alliances and, as often as not, forced to submerge their national identities.

For EC 'Flag Carriers,' Partnerships May Be a Necessity

By Giles Merritt

BRUSSELS—A few years from now, the landscape of the European airline industry may look so different as to be barely recognizable. Unless they adapt to it, today's "flag carrier" national airlines could well become the dinosaurs of civil aviation.

To avoid extinction, many of the national airlines will probably have had to group together into giant transnational combines. At the other end of the scale, tiny independent "feeder" airlines and specialist charter services will have seized a substantial part of the business that flag carriers today consider their natural market.

The process of concentration is already well under way in Europe. Although the sort of deregulation and air fare liberalization that will really put the pressure on national airlines to forge cross-border alliances is still to come, the writing is on the wall.

Sabena, the Belgian national airline, has just confirmed that its discussions about joining the Scandinavian Airlines System

(SAS) consortium have entered a more intense phase. In other words, it is likely that Belgium will soon join Denmark and the other Scandinavian countries in SAS.

The Belgian airline is at present looking for a formula that would enable it to share its heavy overhead and operating costs with the SAS partners while safeguarding Sabena's name and national identity. It is hard, however, to see how the two can be reconciled. But in any case the more significant thing about the talks seems to be the way that Belgium's political leaders have all grasped the point that running a major flag-carrying international airline is beyond their means.

Sabena's move toward new partnerships was signaled by its recent route-sharing pact with British Caledonian, in which the two airlines now operate a joint daily trans-Atlantic service to Atlanta. One of the major attractions of an SAS deal would be the complementary nature of Sabena's network of long-haul African routes and SAS's strength on routes to the Far East.

Civil aviation experts at the European Commission in Brussels suggest that the like-

ly Sabena-SAS tie-up will be the forerunner of more mergers between national airlines. They forecast that Europe's big three—British Airways, Air France and Lufthansa—will be able to compete internationally without encountering serious difficulties, but that most of the remaining flag-carrier airlines may be forced into new alliances and, as often as not, forced to submerge their national identities.

THE EC experts see the Sabena-SAS grouping being further swelled by the arrival of comparative small fry, such as Austrian Airlines and Portugal's TAP. That would create a new airline covering Europe from north to south and east to west and would also greatly strengthen its intercontinental routes with TAP's Latin American services and Austrian's routes to the Middle East.

Where middle-ranking European airlines would fit into the new pattern is unclear, but even major airlines, such as KLM of the Netherlands, Iberia of Spain and Alitalia of Italy are going to find it hard to compete in the 1990s, while heavy loss-makers, such as

Greece's Olympic Airways, face a very grim future.

The tougher operating conditions will stem in large part, of course, from European deregulation and the cutthroat competition that smaller carriers and newcomers will offer. But equally important will be the competitive pressure of the new breed of American "mega-carriers" which, in a number of cases, were created in the space of mergers and takeovers that occurred in the U.S.

The "big seven" U.S. airlines—American, Delta, Northwest Orient, Pan Am, Texas, TWA and United—now represent formidable competition on intercontinental routes. Only 25 percent at most of the European airlines, business is in fact in Europe, so the need to defend that non-European revenue now represents the most compelling argument for deregulation—that it will streamline Europe's flag carriers into competitive shape.

The picture should not, however, be painted too bleakly. The signs are that Europe and much of the rest of the world are on the brink of a revolution in air transportation. The EC Commission's experts suggest that within 10

Opening Up in Europe

EC Deregulation At Crossroads

By Giles Merritt

BRUSSELS—The fight in Europe for cheaper air fares may at last have turned the corner. The signs are that this spring could mark the point when a measure of genuine deregulation of civil aviation inside the European Community became inevitable.

It is not yet clear, however, how big that measure will be. The next few months will determine whether air fares in Europe start to drop dramatically, or just modestly.

EC transport ministers met in Luxembourg last Tuesday to launch a new air travel regime for Europe, but they failed to reach agreement on some of the key elements of that plan. The ministers are due to discuss the subject further on June 24.

The ministers realize that if they fail again, the consequences could be grave. Europe's airlines would then risk being pursued in the courts and forced haphazardly into deregulation. One way or another, therefore, the end of the airlines' present cartel arrangements is in sight.

For those in the EC Commission and in Europe's consumer organizations who have been fighting for the last eight years for civil aviation liberalization, however, 1987 marks a turning point.

The change came in March and April of this year, when three of the major European airlines that had been waging a rearguard action against deregulation of any sort abandoned their fight. The Italian flag-carrier airline, Alitalia, West Germany's Lufthansa and Greece's Olympic

Airways dropped their challenges of the EC Commission's right to scrap their long-standing cartel arrangements for fixing fares and routes.

They did so after the EC commissioner in charge of antitrust and competition policy, Peter Sutherland, a former Irish attorney general, had warned them during a number of tense meetings in Brussels that, unless they agreed to join in negotiations on a liberalization of air fares, he would open proceedings against them in the European Court of Justice in Luxembourg for operating an illegal cartel.

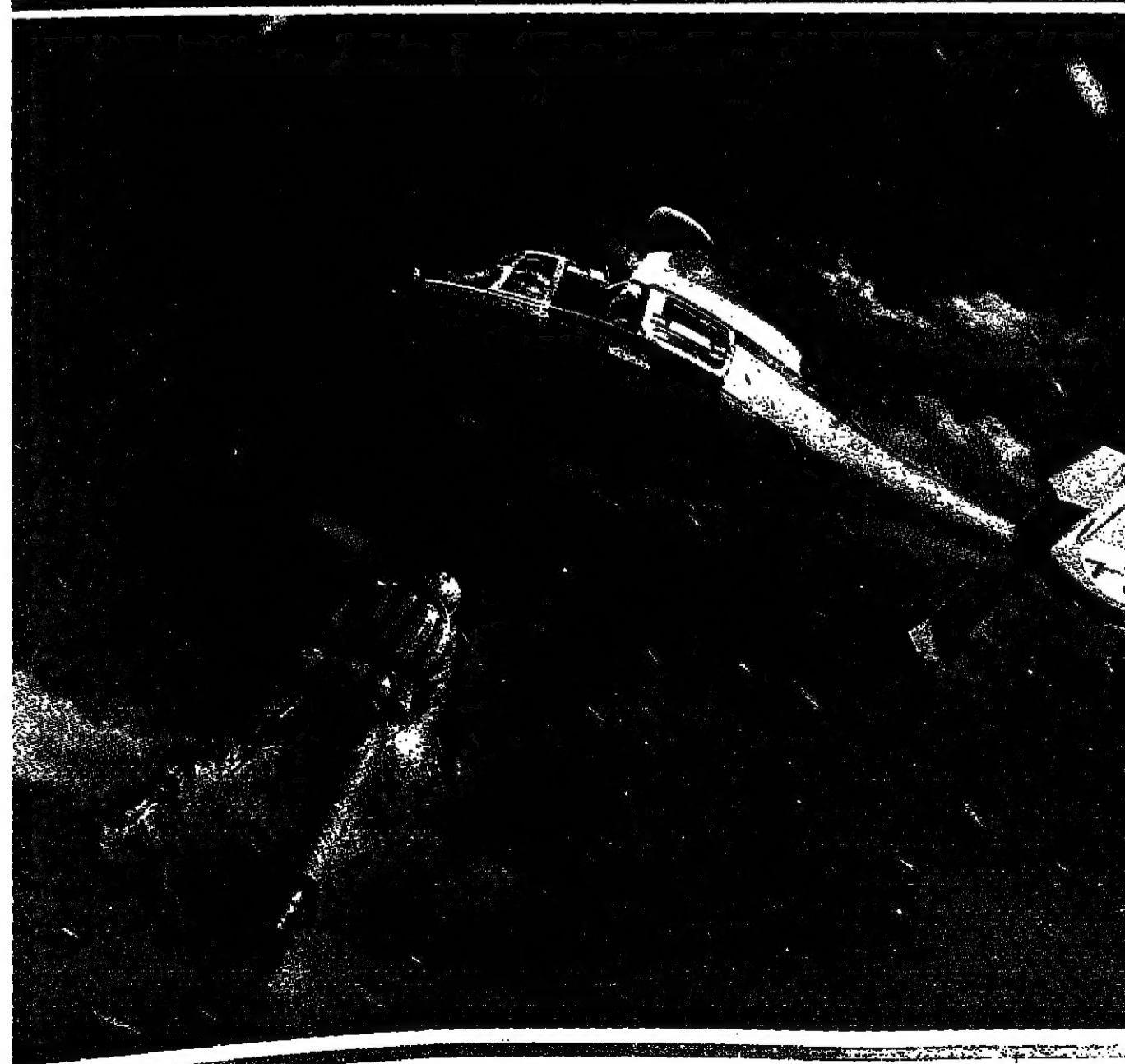
Alitalia's chairman, Umberto Noddi, had earlier said that the EC authorities "had no authority" and that his airline was responsible only to Italy's transport minister.

Talks on deregulation were already under way at that point in late March between the EC Commission and the seven other national flag-carrier airlines concerned—Air France, Aer Lingus, British Airways, British Caledonian, KLM, Sabena and Scandinavian Airlines System.

The decision of the three airlines to drop their opposition has enabled the EC Commission to move ahead with its plan for a new "freedom of the skies" charter. It has thus been able to use a milestone decision by the Court of Justice, when it ruled last year that airlines are not exempt from the Treaty of Rome's fair competition rules, to negotiate a new civil aviation pact with the major airlines and the EC governments.

The EC is hoping that the proposed liberalization measures will constitute the framework for new rules govern-

Continued on page 12



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on runways. Mr. Burnett said that controllers, in some cases, are being asked to direct more airplanes than they can handle.

"The FAA is trying to run the system up to the red line," Mr. Burnett told a Senate hearing in late May. "We don't need to play a game of chicken. We need to run the system on cold instead of hot."

To add to the queuing, senior controllers are retiring at a rate of about 500 a year, and at the air control facilities near Washington, Boston, New York, Chicago and Los Angeles, a third to half of the senior staff is eligible for retirement this year.

"It's the experience level we're worried about," said Vic DePaula,

the controllers' union president, who says the FAA may be tempted to cut short the retirement.

The drive has begun again this year, and this time, with a Democratic-controlled Congress and a perception—no matter how exaggerated—that airline travel is disintegrating into chaos, the proposal will figure as a major bar-

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New Gateway Hubs in U.S. Interior Are 'Shrinking the World'

'We have made it possible for many more people to travel.'

By Maria Saporta

ATLANTA — The recent emergence of new international gateways in the United States has opened up new cities and surrounding regions to people seeking business and tourism opportunities.

"We are shrinking the world," said Whit Hawkins, senior vice president of marketing for the Atlanta-based Delta Air Lines. "We have made it possible for so many more people to travel because of the opportunity to go to different destinations."

Mr. Hawkins compared the growth of international gateways to that of having a gas station on every corner. While the new airport hubs in the United States are not quite so numerous as gas stations, travel patterns have changed dramatically in the last 10 years.

It used to be that if travelers wanted to fly to the United States from abroad, they probably had to fly into the New York City or Los Angeles or San Francisco airports. Few other American cities were open to the rest of the world.

"The traditional gateways were the existing coastal seaports, and the points that were closest to the international gateways," said Richard Murphy, an aviation consultant with the firm of Simat, Helleson & Eichner Inc. in Waltham, Massachusetts. "The West Coast served the Pacific, the East Coast served Europe and Houston and New Orleans served Central and South America."

However, in the late 1960s, several interior cities and airports joined together in petition the federal government for permission to begin international service to Europe.

These interior cities already were developing into domestic aviation hubs and believed they could support international traffic.

"The trans-Atlantic case took over eight years to settle," said George Berry, commissioner of the Georgia Department of Industry and Trade and former aviation commissioner for the city of Atlanta. "It was basically an effort by the inland cities of Atlanta, Dallas and St. Louis to break the monopoly of the coastal cities and traditional ports of entry, such as New York and San Francisco, and their hold on international air service."

In 1977, the U.S. government permitted the interior gateways to have international service, which radically changed the character and the complexion of several of these cities.

In Atlanta, Delta Air Lines soon started flying to London and Frankfurt. Sabena, British Caledonian, Lufthansa and KLM soon



Swissair plane passes over an expressway on the company's first Atlanta flight.

followed and began flying nonstop to Atlanta. Today, Delta flies to Paris, Munich, Stuttgart and Shannon, Ireland. In addition, it began direct one-stop service to Tokyo in March after Japan Air Lines began Atlanta-Tokyo service last July. And Swissair just began to fly between Zurich and Atlanta in March.

"We could never have aspired to have over 1,000 international firms investing in our state if we did not have nonstop air service between Atlanta and the major European capitals and direct service to Tokyo," Mr. Berry said. According to Mr. Murphy, the new interior gateways really could not have survived before

the late 1970s because of the size of airlines flying on international routes.

In 1969, carriers began to introduce the wide bodies, the 747s, which had 400 seats. The increase in aircraft size absorbed all the growth," he said. "Between 1970 and 1980, I don't think there was any increase in frequen-

cy. And during most of that period of fairly high growth, no new gateways opened up. Since about 1980, the average seat size has leveled off so the increased growth has translated into increased frequency and new gateways."

"I don't think the new gateways took traffic away from the traditional gateways, but it has taken growth away," Mr. Murphy added.

Mr. Hawkins of Delta said the new gateways helped generate the growth in international air travel. "There's definitely been a stimulation of international traffic because of the interior gateways," he said. "I think people in the Southeast have felt more comfortable when they can leave from a gateway that they are familiar with."

Another trend also developed in the early 1980s — airline deregulation — which gave domestic carriers much more flexibility in choosing destinations, prices and traffic patterns.

Smaller airlines, which traditionally fed traffic into the more traditional gateways, began to create "hub-and-spoke" operations at other airports, such as Newark, New Jersey; Charlotte, North Carolina; and Salt Lake City, Utah.

Now those and other new gateways have generated enough domestic traffic through their feeder networks to where they believe they can support international service.

But unlike the deregulated U.S. market, international routes are still regulated through bilateral aviation agreements between the U.S. and foreign governments. When new bilateral agreements are reached, however, new gateways are often established, such as the recent accord between the United States and Britain.

That agreement permitted Piedmont Airlines and Delta Air Lines to fly nonstop to London from their respective hubs in Charlotte and Cincinnati.

Diane Peterson, director of international air service for the Airport Operators Council International Inc. in Washington, said that several other U.S. airports also desired to have international service because they believed it would bring an economic boost to their communities.

But she added, "the regulatory and negotiating climate is not particularly good" for the rapid establishment of many of these gateways.

New aircraft, however, make it more economically feasible for carriers to serve smaller, emerging markets. U.S. airlines have also asked the federal government for permission to fly smaller planes, with a seat capacity of around 200, on routes to Europe.

In addition, new planes are more fuel efficient and are being designed to fly longer distances, permitting nonstop service half-way around the world.

All these market and equipment changes creating new interior gateways, however, are beginning to compete with the relatively young international gateways, such as Atlanta.

"It does open up a competitive situation," said Roy Cooper, vice president of economic development for the Atlanta Chamber of Commerce. "Before, we may have had it all to ourselves. Now we have a Charlotte to worry about."

Still, the Atlanta community has not opposed the establishment of new Southeastern gateways for international service. One reason is that the Hartsfield Atlanta International Airport has just been declared the busiest airport in the world, and it can afford to have some of its connecting traffic diverted to other airports.

"I don't think we are as dependent on the transfer traffic as we used to be," said John Braden, director of marketing for the Atlanta airport. "Atlanta needs its capacity more and more every day for its own originating traffic. We are now almost to the point where we could sustain international service on our own because of the number of international companies doing business here."

Philosophically, Mr. Berry, the commissioner of Georgia's Department of Industry and Trade, supports the other Southeastern gateways.

"As far as I'm concerned, Atlanta and Georgia will never take the position that now that we've got ours, let's pull the ladder up," he said. "More power to Charlotte, Winston-Salem [North Carolina], Orlando, [Florida] in their efforts to secure international air service. I'm very satisfied that if the Southeast grows, that if the Charlottes, the Nashvilles and the Jacksonvilles grow, that only strengthens Atlanta."

But the older gateways are responding to the more competitive market in other ways, according to Mr. Murphy.

"The major gateways — New York and Boston — are now beginning flights to the interior European gateways," Mr. Murphy said. "They are getting service to Munich, Dublin and Manchester."

A number of European carriers are becoming frustrated with the increased U.S. competition on both their home shores and in America. Because they do not have the benefit of a U.S. feeder network in smaller cities, they cannot justify flying to Charlotte or Cincinnati.

So European carriers are developing new ways to meet U.S. competition. For example, they are beginning to consolidate their service — equipment and routes — to the United States. The first test of such an arrangement was between British Caledonian and Sabena, which decided to jointly serve the Atlanta-London-Brussels route with daily 747 service last year.

European airlines also are seeking co-chairing agreements with smaller U.S. airlines whereby they can create their own feeder networks in the United States. For example, KLM is seeking to co-chair its flights with Florida Express Airline so that on the computer reservations system it will show that KLM has its own connecting flights from Atlanta to Florida.

"Interior gateways are going to develop as traffic continues to grow," Mr. Murphy said. "And the fact that aircraft size has pretty much leveled off and the range is getting longer, I think we will continue to see more demand for interior gateways."

MARIA SAPORTA is a business writer for The Atlanta Journal and The Atlanta Constitution.

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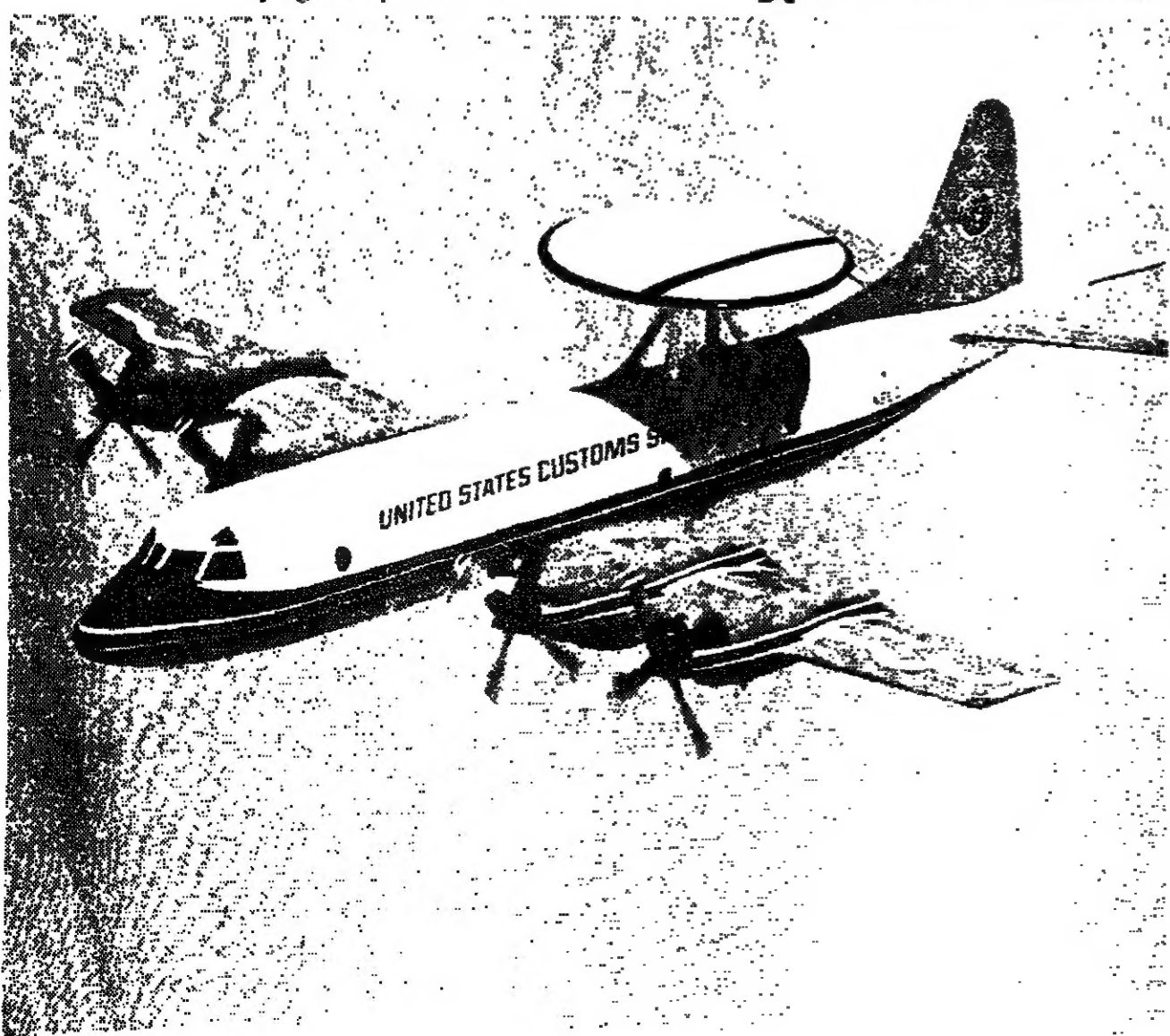
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Flying Into the Heart of London

By Peter Middleton

LONDON — On May 31, two 50-seat airliners touched down only six miles east of Tower Bridge, and less than 20 minutes by taxi from the Bank of England. They were making a trial flight into the new London City Airport, which is nearing completion on top of a derelict dock.

Once scheduled services begin from the airport in October, City workers should be able to reach Charles de Gaulle Airport in Paris faster than they can now get airborne from London Heathrow, according to Brymon Airways, one of the two airlines licensed so far to fly from London City Airport by the U.K. Civil Aviation Authority. Brymon claims that it will take less than two hours from office desk to disembarking from the aircraft in Paris.

Brymon will compete with Eurocity Express, a new and specially created subsidiary of British Midland Airways, between London City and Paris, Amsterdam and Brussels. Eurocity Express will also fly to Rotterdam and Düsseldorf, as well as offering domestic services between London City and Manchester, Jersey and Guernsey. Brymon will feed London City from its existing English West Country hubs of Plymouth and Newquay.

Non-British airlines may serve London City, subject to approval by the Civil Aviation Authority and bilateral government agreements on routes. None is seriously interested as yet, although provision for reciprocity exists on routes already approved.

If London's City workers choose to begin their journeys from their homes, however, it will often be quicker for them to fly from Heathrow or Gatwick, rather than from the new airport.

Nevertheless, the project's instigator, builder and operator — Mowlem Construction — is confident that within five years London City airport's proximity to one of the world's major financial centers will justify its design parameters of 1.2 million passengers per year, 10 aircraft stands and 120 movements — takeoffs and landings — per day. London City will also serve the industrial enterprise zone of which it is part.

Mowlem expects between 375,000 and 500,000 passengers to pass through London City in its first year of operation. Brymon, however, which has supported the project from its inception by Mowlem in 1981, predicts a maximum first-year total of 250,000, limited by availability of suitable aircraft.

Whatever the number of passengers, it will be minuscule compared with the capacity of major European international airports, allowing London City to guarantee fast turnarounds for time-conscious businessmen. Check-in

times are likely to be only 15 minutes, and conference facilities and stock exchange data displays will be provided for businessmen wishing to use the airport as a meeting place.

The £20 million (\$32 million) project was known initially as London Stoptop, denoting short takeoff and landing, because its 2,500-foot (760-meter) runway is barely a quarter the length of those at major conventional airports. London City will be the first of its type in the world to offer international services in competition with existing airports.

Other airports have been built in the hearts

Check-in times are likely to be only 15 minutes.

of cities — the best-known are Kai Tak in Hong Kong and Tempelhof in Berlin. However, the closest parallel to London City is Toronto's downtown airport, from which short takeoff and landing has Havilland Canada Dash-7 airliners fly domestic regional services. London City is based on the use of the same type of aircraft, which is powered by four turboprop engines.

The Dash-7, whose manufacturer is now owned by Boeing, can operate with ease from the London City runway, which has been laid directly on top of an old wharf. The aircraft has been in service for nearly a decade and has been used in difficult geographic and weather conditions from Norway to Yemen. It has also performed reliably with Brymon on British regional routes.

Brymon stresses the training and experience necessary to operate the aircraft off short runways. The instrument landing system at London City will be set for a 7 degree approach slope rather than the 3 degree one used at conventional airports.

The Dash-7 is inherently quiet, climbs rapidly and descends steeply, so it leaves a small noise "footprint" on the ground. Besides being environmentally acceptable to the surrounding community, the aircraft also offers pressurized comfort and a reasonably quiet cabin for its passengers.

Europeans accustomed to an almost exclusive diet of jets between major cities will notice the difference, but none will be airborne in the four-abreast cabin for more than two hours. The Dash-7 cruises at 250 miles (400 kilometers) per hour and its flights will be limited to

400 miles, after which jet speed overcomes time saved on the ground.

Even this modest 400-mile radius gives London City access to a population of 150 million in the most highly industrialized and prosperous areas of Europe, as far as Dublin, Edinburgh, Bremen, Frankfurt and Strasbourg, although no carriers have yet applied to serve any of these destinations.

Much of the potential German business market, however, lies beyond 300 miles from London City, which Brymon considers marginal on time savings. This includes Düsseldorf, to which Eurocity Express already has traffic rights.

Eurocity Express wants to acquire British Aerospace-146 jets for London City services, which would greatly extend the market. The runway could be extended to take the 80-seat 146, which is the quietest and most agile jet airliner on the market.

Before it could fly from London City, however, a proposed bridge across the river Thames to the east of the airport would have to be moved from the flight path. Not surprisingly, British Aerospace is supporting Eurocity's bid to have the bridge sited elsewhere. Air traffic control arrangements designed around the Dash-7 would also need revision.

Brymon expects two-thirds of London City passengers to be flying on business, and 60 percent of international traffic to originate in Continental Europe once the airport becomes well known.

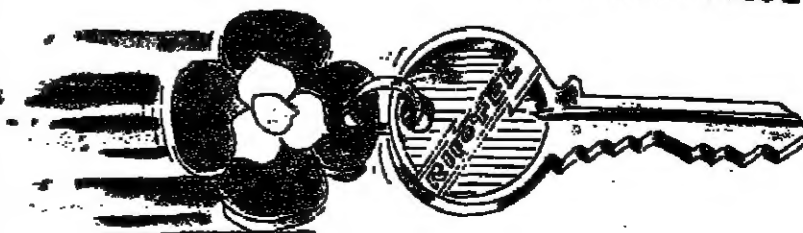
Brymon also predicts "split" traffic — British passengers flying to the Continent from London's Heathrow or Gatwick airports but returning to the office via London City. Some American tourists visiting London are also expected to use London City as a convenient gateway for day trips to the Continent.

The fins of Eurocity Express Dash-7s carry a pinstripe-suit motif to accentuate the carrier's dedication to business travel, and both of the airlines authorized to fly from London City are reducing seating on their aircraft from the standard 50 to about 44 to facilitate installation of hot-meal service. Business-class fares will be charged. Corporate and private aircraft will be banned from the airport.

The Dash-7 is likely to be the only type of aircraft flying from London City for several years. Eurocity Express acquired its first two aircraft recently and expects two more next March, with a fifth coming later. Brymon, the established British Dash-7 operator, expects to use three or four on London City services, out of a planned fleet of six.

PETER MIDDLETON is associate editor of Flight International magazine.

A Paris ou en Ile-de-France une chambre d'hôtel ce soir?



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Airbus and Boeing Raise the Stakes in Marketing Battle

Many analysts do not believe that the market can support three aircraft manufacturers competing with similar products.

By James D. Baumgartner

WASHINGTON — Two significant events took place last month in the escalating battle being waged by Airbus, Boeing and McDonnell Douglas to lure airline customers into buying their planes.

First, Britain and France raised the ante for government aid to Airbus by agreeing that loans to British Aerospace and Aérospatiale Airbus partners can be repaid by sales of A-330 and A-340 aircraft. Second, Boeing showed that it is willing to lend money to a favored customer to purchase Boeing aircraft.

These actions by a government-funded consortium and a cash-rich Boeing must have proved unsettling to McDonnell Douglas.

The move by the governments for the A-330/A-340 project followed protests earlier this year by the United States that the financing was being made at a risk to taxpayers. The A-340 is not due on the market until at least 1992, two years behind the competing MD-11 of McDonnell Douglas, the Boeing 747-400 and long-range, lengthened versions of Boeing's 767 that are already flying.

Boeing's loan to United Airlines of \$700 million in convertible notes raised expressions of concern from industry analysts in the United States. The transaction could give Boeing as much as a 16.9 percent stake in United if it exercised an option to convert the notes into stock.

Alan Benasuli, an analyst for Drexel Burnham Lambert, said Boeing should "not be using cash to finance customers," especially to the airline industry, which is "extremely cyclical."

That airframe companies are willing to go to such lengths to sell aircraft during a time when the airlines are on the "up" side of the cycle caused Mr. Benasuli to question to what lengths they would go when the carriers hit the "downturn."

He said, "This is going to be hurtful to everybody involved." It shows, he added, that "this is an extremely competitive market even at a time that it should be a seller's market."

Many analysts do not believe that the market can support three aircraft manufacturers competing with similar products.

Airbus could be a victim of its own success with the A-320, with orders and options for more than 600 of the 150-seaters. It got the jump on both Boeing and McDonnell Douglas in offering the market a new-generation transport in this category. This will not be the case with the A-330/A-340 program, which not only will lag behind the McDonnell Douglas MD-11 but also the Boeing 747-400 and the long-range 767.

However, Airbus believes that to compete successfully over the long term, it needs a family of aircraft to offer customers and to convince them that it is in business to stay. Also, the A-340 will be a more technically advanced aircraft than its competitors when it does hit the market. That meant more in the past, when aviation fuel prices were high than it does now. While a newer technology aircraft will use less fuel, its development costs mean, or should mean, that it will cost customers more than a derivative aircraft.

The sales tactics of Airbus were the subject of talks earlier this year between the U.S. and European governments involved in the consortium. Aérospatiale of France and MBB of West Germany each hold 38 percent shares in Airbus, while British Aerospace has 20 percent. To U.S. charges that the companies have yet to refund any launch aid invested by European governments, they reply that the United States spends five times as much supporting various programs.

In a statement in January, Aérospatiale said that "some 70 percent of total sales for U.S. aerospace firms comes from government credits, as opposed to just 35 percent for their European counterparts." It said the "main source of funds that enable the U.S. aeronautical industry to maintain a dominant position in world markets is none other than the American taxpayer."

Aérospatiale said that it is "nothing short of indecent to claim that Europeans are



Aérospatiale's Airbus A-320 on the tarmac at Le Bourget.

The Commercial Aircraft Market			
Company	Delivered	Orders	Backlog
Airbus	29	170	286
Boeing	238	335	662
McDonnell Douglas	91	164	261

cheating Americans out of their rightful jobs with each Airbus sale. Statements such as this can only be interpreted as reflecting American manufacturers' intent to move from a clearly dominant market share to a monopoly."

U.S. officials, in turn, say statements such as this are part of a smoke screen put up in Europe to hide Airbus subsidy practices.

"When we talk about government support for Airbus, we are very specific, and the Europeans want to talk about the entire aerospace industry," said an official from the U.S. Trade Representative's office. "U.S. government funds flowing to the U.S. aerospace industry for the purchase of goods and services directed toward government are not a subsidy for civil aircraft programs. The Europeans, too, produce military goods which they sell to their own and foreign governments."

With such attitudes on both sides of the dispute, it is little wonder that the talks fell through.

The impetus to the talks follows what a McDonnell Douglas spokesman called a "major thrust at customers we announced on Dec. 30 for the MD-11." This thrust was described as an "unfair trade tactic." Airbus denied trying to sell the A-340 to McDonnell Douglas customers below cost and said it "will continue to market it to any airline, whether or not the airline has publicly committed to the MD-11."

The U.S. government has estimated that the subsidy extended to date to Airbus is between \$5 billion and \$10 billion and will grow by up to another \$2.5 billion with the A-330 and A-340 programs. "It seems like throwing good money after bad," a U.S. trade representative official said.

Regardless of how this high-stakes battle shakes out for Airbus, it is causing apprehension on Wall Street for the two U.S. companies.

"Airbus has no shareholders to be accountable to," said Mr. Benasuli. "It is costing European governments money, but it is also employing 50,000 people. Airbus has been successful with the A-320, so they have to pay for the A-330/A-340 programs. I think Airbus will do what it has to do to get its share of the market. It has to get three models to compete with Boeing."

Boeing, Mr. Benasuli said, is a "giant and may be able to afford to go on like that deal with United, but McDonnell Douglas cannot do this. What is going to happen when the airlines go into a down phase and do not buy planes? These companies should now be writing their own ticket in a seller's market but instead they are killing each other."

JAMES D. BAUMGARTNER is a senior editor of Aviation Daily.

Computerized Airliners Will Have Seatback TV

By Graham Warwick

LONDON — Within a few years, the airline passenger crossing the Atlantic will be able to watch the inflight movie not badly aligned and out of focus on a screen several seats ahead, but on a miniature television mounted on the back of the seat in front of him.

If he is flying first or business class, the passenger might find, mounted on the same seatback, a telephone with which he can call, via satellite, to ensure that his return flight is booked with the same well-equipped airline.

Seatback television uses the same liquid-crystal display (LCD) technology as digital watches, and for the same reasons. LCDs are slim, lightweight and consume little power. They require considerable development, however, before they can replace the cathode ray tube (CRT) displays used in the cockpits of modern airliners.

For that is the aim, to produce bright, sharp, full-color, flat-screen displays to replace bulky, power-hungry CRTs on the airliner flightdeck. The pilot might not notice the difference, but the aircraft designer and operator will benefit from the LCD's lighter weight and longer life.

Passenger telephones are simply an extension of established satellite communications technology, but require the development of ultra-sensitive antennas that provide good reception without incurring massive amounts of extra aerodynamic drag.

Already some airlines are planning to install full-color, flat-screen displays to replace bulky, power-hungry CRTs on the airliner flightdeck. The pilot might not notice the difference, but the aircraft designer and operator will benefit from the LCD's lighter weight and longer life.

Satellite communication, coupled with satellite navigation, will enable the crew to determine aircraft position far more accurately than possible today, and to report this to the ground. Once all airlines are equipped to communicate by satellite, a global air traffic management system becomes a possibility — and with it an end to the delays that plague the present system.

Watching seatback television or talking on the seatback telephone, tomorrow's airline passenger should hopefully be unconcerned for his safety. He might just feel a little concerned if he knew that it was a computer, not the pilot, flying the aircraft, but he would have no reason to feel less safe.

Fly-by-wire is a term more usually applied to fighters. It means that the traditional mechanical links between the pilot's controls and aircraft control surfaces have been replaced by electrical signals traveling along wires. A computer has been placed between the pilot and his aircraft: The pilot is still in command, but it is the computer that executes his instructions.

This has two major advantages. If the aircraft makes some movement the pilot has not commanded, then the computer can sense and countermand the motion far faster than the human pilot. Conversely, if the pilot makes some demand



Robert Curran-Morris

which the computer knows is unsafe, it can simply ignore his instructions.

If the aircraft is already near the stall, for example, the computer can prevent the pilot from inadvertently stalling the plane. This automatic limiting is a vital advantage in emergencies such as wind shear, where to escape the massive downdraft the pilot must fly the aircraft to its limits and not beyond them.

The traditional mechanical linkages are not dispensed with lightly, however. When Airbus Industrie's fly-by-wire A-320 makes its public debut at the Paris Air Show, it will have no fewer than five flight-control computers, any one of which is capable of flying the aircraft.

This backup system is essential if the aircraft is to survive the failure of two or more computers, however improbable such an event might be. To prevent any common design flaw from causing all the computers to fail, two are designed by one company, three by another.

The next step is to make the computers tolerant of equipment failures and software faults, and that is Boeing's aim for its 777, unveiled at Paris as a competitor to the successful A-320. It will be 1993, however, before the 777 makes its flying debut at Paris.

On the ground, as well as in the air, there is an impending revolution. In particular, new radars that establish an information flow between aircraft and ground, and new ultra-accurate landing systems are to be introduced in the 1990s.

Anti-collision systems are being tested in the United States, where the dense air traffic and unique mix of heavy airliners and light private planes has in the past caused serious accidents.

The aim of all these systems is to ease congestion on the airways, freeing airlines to use fuel-saving direct routes. Unless the air traffic control system is upgraded to cope with the advances being made in the air, then airlines will see no benefits from the technology and the passenger will be faced with greater and greater delays.

GRAHAM WARWICK is technical editor on the weekly aerospace magazine Flight International.



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UNITED TECHNOLOGIES

than they can...
"The FAA is trying to run the system up to the red line," Mr. Burnett told a Senate hearing in late May. "We don't need to play a game of chicken. We need to run the system on cold instead of hot."

Boston, New York, Chicago and Los Angeles, a third of half of the senior staff is eligible for retirement this year.

"It's the experience level we're worried about," said Vic DePaula,

year, and this time, with a...
perception — no matter how exaggerated — that airline travel is disintegrating into chaos, the proposal will figure as a major bar-

In short, everything that's needed to open the doors to cooperation.

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sent into space in the past 20 years and you...
cooperative than us.

POINT OF VIEW

U.S. Experience Provides Some Lessons for Europe

By Umberto Nordio

ROME—Deregulation, to all of us in the airline business, means airline deregulation, and we tend to regard it as though it were something peculiar to our own trade. In fact, air transport deregulation, as started in 1978 and 1979 in the United States, is just one instance in a wider, far-reaching worldwide trend moving away from command-and-control-type regulations to place instead reliance on a set of norms that focus on performance results, leaving industry free to find the most efficient way of achieving them.

An instant, global communication system and the increasing integration of world financial markets have enhanced international interdependence and spurred a growing awareness of the fact that the industrial nations of the world are moving toward a one-market economy. Even the Soviet Union seems, of late, to have caught on to this concept and its implications, for in today's world scenario, military might can generate, at best, stalemates. Under the umbrella of such stalemates, victories are generated by economic strength, which can only be achieved through efficiency.

Air transport, by its very nature, always was an industry of worldwide breadth. In this trend toward a global, more competitive economy, airlines are quite naturally positioned in the forefront. When looking ahead, the American experience with airline deregulation provides us with a very significant lesson.

At times, in the day-to-day interaction between business and the media, a felicitous slogan captures the imagination of both reporters and readers. It becomes a cliché, and the commonplace quickly turns into popular wisdom. And, finally, it acquires professional status through the elaboration of some pundit who translates it into para-academic doctrine, just before facts consign it to oblivion.

Such was the fate of a catching industrial recipe bandied about in the early 1970s: "Small is Beautiful." Now, the first lesson to be drawn from American airline deregulation is that small may well be beautiful, but big is powerful, and bigness is what it takes for an airline to survive in a deregulated environment.

Nowhere in the world—except in the Soviet Union, where Aeroflot carries 125 million passengers a year—do we find airlines whose size approaches that of the U.S. "mega-carriers." Through their size, the U.S. carriers can now offer the customer some of the cheapest per-mile seats in the world.

Their size thus forces smaller carriers, in the United States and abroad, to a momentous strategic choice: Should smaller carriers try to stay in the big league, competing with the giants in the global market, or should they accept downgrading and try to retain a safe niche in a local market?

The first option requires smaller airlines to embark on the road of associations, mergers or acquisitions, most likely reaching beyond the boundaries of their own countries. Just to mention one hurdle on this road, it must be remembered that existing legislation in most industrial countries, including the United States, sets tight limitations upon foreign shareholding in national companies engaged in air transportation of passengers and cargo.

The second option may involve painful, self-mutilating decisions, as local market niches in many cases may not provide enough room to accommodate the existing size of the smaller airline involved. And even when local

niches identify with the domestic market, they may not in the long run provide a safe haven. I, for one, believe that existing cabotage restrictions are bound to fall as the deregulatory process takes hold.

When trying to translate the American experience into a blueprint for European deregulation, it should be attentively weighed against the background of the existing European environment. Europe is not one but 21 countries, each with its own laws, norms, institutions, state agencies, procedures, traditions, habits, currency and national pride.

Most European countries have a history of pervasive state control or direct involvement in commercial and industrial enterprise, to an extent and through mechanisms that never existed on the American scene. Indeed, almost all European airlines are partly or totally owned by their respective governments. The stark, Darwinian process through which the U.S. mega-carriers emerged as survivors in the deregulated U.S. environment would, since its inception, meet with several obstacles in the European environment of today.

In Europe, extinction or mutilation of a national airline would elicit strong protests from all the vested interests that in time have grown around it. Some political ear might become as sensitive to loss of jobs, displacement of industries, labor unrest as much as it had been to public thirst for cheap air fares. A suggestion might then follow again to rely on the old panacea of subsidizing the ailing airline so as to satisfy both vested interests and customers' expectations.

The Darwinian process would thus be thwarted. All existing national airlines would remain alive, but none of them would be an economic match for the U.S. mega-carriers. Ultimately, these would dominate the European market, as the various European governments would become fed up with throwing good money after bad to keep their carriers playing in a league where they would not belong.

The European airlines of today are weak because they are too many, too small, too diverging in their incompatible strategies. But they also command an element of potentially tremendous strength. They cater to a home market of 425 million people, 70 percent larger than the U.S. market.

In the United States, two Americans out of three are customers of the airline business. In Europe, the ratio is two out of 30. The traffic growth potential in Europe, thus, overwhelmingly exceeds that of the United States. The European airlines are sitting on a gold mine.

Whether this mine shall be exploited by European or non-European enterprise essentially depends on the European governments' foresight, adroitness and timeliness in handling the issue of European deregulation.

European deregulation should be guided in such a way as to avoid the pitfalls the Darwinian process might encounter in a European environment that was not prepared to absorb it or to accept it.

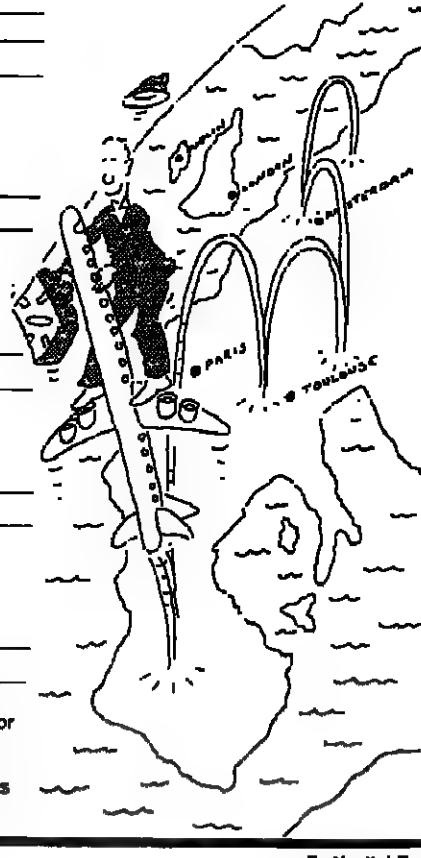
The concentration of productive resources into larger multinational companies as an instrument for achieving economies of scale and lowering costs should be actively assisted by the European governments through changes of laws, regulations, procedures, habits and mental attitudes. The road should be opened and paved for all market forces to play their role in shaping up a new European air transport supply system by a smaller number of competitive mega-carriers as well as a larger number of competitive European local carriers.

UMBERTO NORDIO is chairman of Alitalia.

A Sampling of European Air Fares

Prices are for round-trip tickets and are for economy or special fares, not for business-class or first-class travel.

Carrier	Fare	Comment
PARIS-LONDON		
Air France	\$ 302	Economy, Unrestricted
Air France	156	Special. Trip must include Saturday night. Can't change date.
Nouvelles Frontières	108	Charter
LONDON-AMSTERDAM		
British Caledonian	286	Economy, Unrestricted
British Caledonian	117	Special. Trip must include Saturday night. Can't change date
Virgin Atlantic	117	Economy, Unrestricted. Airport is Maastricht near Amsterdam.
LONDON-DUBLIN		
British Airways	312	Economy, Unrestricted
British Airways	149	Special. Trip must include Saturday night. Can't change date
Ryanair	141	Economy, Unrestricted
PARIS-ATHENS		
Air France	1,190	Economy, Unrestricted
Air France	432	Special. Trip must include Saturday night. Can't change date.
Nouvelles Frontières	237	Charter flight
PARIS-TOULOUSE		
Air Inter	241	Economy, Unrestricted
Air Inter	113	Special. Must be under 25 or over 65 or traveling with family on certain dates.
Nouvelles Frontières	83	Special. Advance purchase required. Penalties if cancellation. Only four flights a week.



The New York Times

Effects of EC Deregulation On Fares Remains to Be Seen

Continued from page 9

ing competition in air transport. It particularly wants a new transparency in the way the airlines set fare prices.

The package would eliminate secret fare-fixing between the big flag carriers, which has in effect excluded small, new airlines from competing on major routes. It would also improve the access of these new airlines to routes, so that instead of being largely restricted to regional routes between provincial airports, they would be able to compete on feeder routes between regional and hub airports.

It also lays down new capacity sharing limits to prevent the major airlines from operating cartel-style "open pools" in which they split seats and revenue 50-50 on important routes, such as London-Paris.

A three-year trial period has been initiated under which airlines can only split capacity 45-55 for the first two years, and only 40-60 for the third year. At the same time, revenue-sharing pools are being curtailed so that the amounts that can be transferred may not exceed 1 percent of an airline's sales turnover on that route.

The idea is that the 1 percent ceiling is just enough to compensate an airline for losing a certain number of passengers and revenue to their pool partners but not enough to constitute a cartel. In any case, EC officials point out that 50-50 "open pools" are in fact comparatively rare, and that the majority of "limited pools" in existence transfer less revenue than 1 percent of route turnover.

The national airlines will, meanwhile, be given block exemptions from the new competition rules to enable them to agree on timetables and operate collective check-in and baggage handling facilities.

There remains, however, one vital reform that will decide the real scope of airline deregulation in Europe. It revolves around the so-called fifth freedom that would allow non-national carriers to compete on an intra-European route. In other words, this would permit an enterprising independent airline—say one of the new British, French, Dutch or Irish carriers—to barge in on protected routes like Frankfurt-Rome or Brussels-Copenhagen and challenge the national airlines' pool.

Once that right is won, the EC Commission experts say, then air fares around Europe will plunge. Until then, they predict that progress on deregulation will be slow but sure.

It was precisely the question of the fifth freedom that deadlocked last week's EC transport ministers' negotiations in Luxembourg, Greece, Spain, Italy and Denmark were reportedly opposed to reforms that would permit foreign airlines to challenge their carriers for business on domestic routes.

National pride and sensitivities in Europe make airline liberalization politically difficult. Yet the degree of deregulation under negotiation is modest by U.S. standards.

"I would say our package will achieve about 40 percent of the effect of the American deregulation," commented a senior Brussels official.

Calls Increase For Regulation

Continued from page 9

Air, People Express and parts of Frontier Airlines. But the two airlines increasingly work in tandem.

In January 1987, the two airlines announced new deep discount pricing, a move rapidly followed by the other major airlines. Later, when American Airlines and United Airlines made tentative moves to increase prices, Continental shot them down by refusing to follow.

At the same time that Texas Air was seizing the mantle of low-cost leader, it also was drawing an increasing number of consumer complaints, along with other airlines.

In April, the Department of Transportation received 2,103 consumer complaints about airline service, up from 1,050 in the same month a year before. The largest number of complaints were about Continental, which also had the highest rate of complaints per 10,000 passengers.

Continental has questioned the validity of the survey, because it was based on passengers who take the time to write about poor service rather than being based on random survey techniques. But, at the same time, the airline has conceded that the difficulties of combining three airlines resulted in service problems.

Continental can dominate pricing because of a low-cost structure that allows the airline to fly profitably at fares that cost the other airlines money. Its key advantage is low labor costs, resulting from a largely nonunion work force.

Continental's labor-cost advantage has put considerable pressure on other airlines to reduce their labor costs.

"There's one massive difference between the costs of different airlines in 1987," said Robert L. Crandall, American Airlines chairman and president. He noted that American's labor cost per available seat mile is 2.6 cents, while Continental's is 1.4 cents. "Multiplied by the number of available seat miles we provide each year, that amounts to a \$600 million labor-cost difference."

The Department of Transportation has asserted that competition under deregulation remains healthy, pointing to continuing price competition. New carriers can still spring up to challenge established carriers if fares get too high, according to deregulation's advocates.

In addition to competing with fares, frequent flyer programs and, increasingly, claims about the quality of service, airlines in today's deregulated environment are competing through a system of hub-and-spoke operations.

A pattern has emerged in which airlines dominate passenger services at individual airports that have been transformed into hubs, where many flights converge.

The idea behind a hub is simple: to maximize the airline's traffic. An airline might not be able to justify more than one flight a day from city A to city B. It might, however, be able to justify eight flights a day from city A to its hub, where passengers could get on flights to 30 different ultimate destinations, including city B.

Many major airports serve as the hub for more than one carrier. For instance, United and Continental both use Dallas International Airport, which serves the metropolitan Washington, D.C., area, as a hub. However, mergers have virtually eliminated competition in a hub in some cases. For instance, Northwest Airlines, after its merger with Republic Airlines, controlled 79.1 percent of the market at Minneapolis-St. Paul.

The hub-and-spoke system and a huge increase in the number of airline passengers that has resulted from deregulation have put increasing stress on U.S. airports. In the first nine months of 1986, U.S. passenger airlines flew 278.3 billion revenue-passenger miles, more than twice the number for all of 1970.

Airlines have responded by putting increasing amounts of capital into airport additions and redesign.

MARTHA M. HAMILTON is a Washington Post reporter, who covers transportation for the Business section.

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Consumer Complaints ■ Safety Fears

In U.S., Travelers Decry Flight Delays, Overbookings, Poor Service

By Martha M. Hamilton

WASHINGTON — Glamour. Excitement. Convenience. Those are some of the words that air travel conjured up in the 1960s.

But mention air travel today, and the words most likely to come to mind are unprintable.

For those whose work requires them to spend a lot of time on airplanes, frequent-flyer bonuses have become a form of reparation. One member of Congress recently inaugurated what he calls the "frequent losers" club for victims of bad air service.

Airline passenger complaints to the Department of Transportation in May were nearly three times what they were a year earlier. The department, noting that deterioration, has proposed rule-making that would require air carriers to provide data about on-time performance, baggage handling, telephone reservations, misconnections, denied boarding and cabin amenities.

Even before the new complaint statistics came, Transportation Secretary Elizabeth Hanford Dole warned the airlines to clean up their acts or face possible enforcement action.

Air travel horror stories are easy to come by. All you need to do is say "airline" in a crowded room.

There is the New York bond trader who spent a night asleep on a baggage carousel at Chicago's O'Hare Airport after a series of delays resulted in his flight arriving after all connecting flights had departed.

There is the former U.S. senator, James G. Abourezk, who is suing New York Air — which is now part of Continental Airlines — for false imprisonment for refusing to let him leave an aircraft on the runway at Washington National Airport after hours of delay.

And there are countless passengers who have found their flights delayed by equipment problems,



Sophie Perry

Mention air travel today, and the words most likely to come to mind are unprintable.

air traffic control or even the failure of the airline to produce a crew for the planes.

Peggy Watts Gap, a product manager with Bell Atlantic's marketing department, traveled to Newark in March. At the end of the day, she returned to the airport, got a boarding pass for the 4 P.M. Continental Airlines flight to Washington and went to the

lounge area. The area already was full of passengers waiting for a delayed 3:30 flight to Boston, and she and others waited with increasing impatience as 4 P.M. came and went without announcements or any information about the prospects for departure.

At 4:30, the Boston-bound passengers were told to go to another gate, she said. Shortly afterward, a

plane arrived. But instead of loading the passengers who had been waiting for the 4 P.M. flight, the airline posted the 5 P.M. flight. "All the 4 o'clock people went crazy," she said.

Ultimately, a Continental manager persuaded the New Jersey Nets basketball team, which was holding tickets on the 4 P.M. flight, to give up their seats and take a later flight, she said. The remaining 4 o'clock people were then boarded with the 5 o'clock passengers, "but we got all the middle seats and the smoking section," she said. "As far as we could see, there was never a plane there" for the scheduled 4 P.M. departure, she added.

In April and May, Continental led the major U.S. airlines in the number of consumer complaints filed and in the number of complaints per 100,000 passengers. Last month, Continental, which is part of Texas Air Corp., registered 21.39 complaints for every 100,000 passengers.

Next on the list was Eastern Air Lines, also a Texas Air subsidiary, which had 10.11 complaints per 100,000 passengers. Together the two airlines accounted for about half of the complaints filed that month.

Continental has said that problems resulted when Continental absorbed New York Air and People Express in February and that performance is improving.

The mergers that have characterized the airline industry in recent years are certainly partly to blame for the service problems. As airlines have struggled to combine work forces and facilities, consumers often have suffered the consequences.

Increased traffic also has contributed to heavy strains on equipment, staff and airports. Lower fares have attracted passengers who never could afford to fly before and helped changed the nature of the industry.

Flight problems, which include delays and overbookings, continue to be the biggest source of com-

plaints. According to the Federal Aviation Administration, during 1986 an average of 1,144 flights a day were significantly delayed. FAA figures, which count only arrivals and departures delayed by more than 15 minutes after a pilot's request for clearance, seriously understate the problem, according to airline executives.

AIRLINES are also finding other ways to anger passengers, according to the Department of Transportation. Recurrent complaints include allegations that the

airlines are painfully slow to pay refunds and baggage claims or that they don't always play fair with passengers who give up their seats on oversold flights.

In addition, "some barriers appear to be dealing inadequately with nonsmoking passengers who check in after the designated no-smoking section is full," the department noted.

The Transportation Department also urged airlines to provide more information about fare penalties and suggested that airlines may be boarding flights and pushing back from the gate knowing

that the aircraft cannot take off.

"Sitting on the aircraft is far less comfortable for passengers than waiting in the terminal. It also prevents passengers from investigating potential travel alternatives," the department noted.

Several members of Congress have proposed cracking down on airlines for still another source of complaints — what they say are misleading ads promoting deep discount fares that are so limited in number that they are virtually unobtainable.

"Air travel is no longer an en-

joyable experience in many cases," said Representative Newt Gingrich, Republican of Georgia, at a recent House hearing on airline consumer complaints. Mr. Gingrich indicated that he favors more disclosure of performance to allow consumers to shop for better service. He warned his colleagues against regulation that might push up fares and drive away the new travelers low air fares have attracted.

Airports do "look more like bus stations because a lot of people who used to ride the bus are now using the airlines," he said.

Crisis Grows Among Controllers

'We need to run the system on cold instead of hot.'

By Laura Parker

OKLAHOMA CITY — The Air Traffic Control Academy, where the country's air traffic controllers are trained, occupies a corner of a sprawling complex on the Oklahoma range, far from the din of Washington's congressional hearing rooms.

Since 1981, when 11,400 of the country's air traffic controllers were fired by President Ronald Reagan for striking illegally, the Federal Aviation Administration has been screening about 3,000 new controllers at the academy every year.

The academy is only the first hurdle in an education that takes three years to complete. This spring's "graduates" won't be fully trained until 1990. The trouble is, they are needed today.

The air traffic control system, born in 1936, is still struggling to recover from the strike.

The showdown in 1981 could not have come at a worse time. The airlines, newly deregulated three years earlier, were just beginning to expand. Now, six years after the strike, there are fewer controllers with less experience handling more traffic. Last year, controllers handled 6.4 million flights — a million more than in 1980, the year before the strike.

"There is a tendency for the FAA to want people to think they have rebuilt the system," said Jim Burnett, chairman of the National Transportation Safety Board. "It is not rebuilt yet."

Now with flight delays up 25 percent over 1985, and controllers still working overtime, the signs of stress are in full bloom.

Last month the National Transportation Safety Board — an independent federal agency that acts as a safety watchdog over the transportation industry — warned that the air traffic control system was being stretched too thin. The five-member board said that the safety is compromised to such a degree that the FAA should reduce the number of commercial flights in overcrowded airports during the peak summer travel season.

As evidence, the board cited a rise in errors made by controllers and the number of reports of near-collisions, both on the ground and on runways. Mr. Burnett said that controllers, in some cases, are being asked to direct more airplanes than they can handle.

"The FAA is trying to run the system up to the red line," Mr. Burnett told a Senate hearing in late May. "We don't need to play a game of chicken. We need to run the system on cold instead of hot."



Students at the air traffic school in Oklahoma City learn spatial reasoning.

We need to build in a margin of safety."

The FAA rejected the safety board's recommendations, and with them, the notion that the safety of air travel is somehow eroding.

The FAA chief, Donald D. Engen, contends that airline travel today is safer than at any time in the history of aviation. The FAA further argues that it already limits the number of flights taking off and landing at crowded airports — a practice that accounts for the bulk of the flight delays.

"We will not allow the situation to become critical," said Mr. Engen.

Against that backdrop, the debate between Congress and the FAA over the number of controllers needed rages on. Lately, it has become so convoluted that it is difficult to determine which set of statistics most resembles the reality in the field.

TRANSPORTATION Secretary Elizabeth Hanford Dole says the ever-increasing number of flights is "practically complete."

But Representative Norman Y. Mineta, the California Democrat who chairs the House Public Works aviation subcommittee, complains that the number of fully-trained controllers has actually gone down because retirements are out-pacing the training of new recruits. And he says the FAA is inflating its numbers by including the clerks in its count.

In 1981, at the time of the strike, there were 16,500 air traffic controllers around the country. Today, there are about 15,100, including about 2,474 trainees and 1,460 air traffic clerks, who do clerical work and do not control airplanes.

To add to the dilemma, senior controllers are retiring at a rate of about 500 a year, and at the air control facilities near Washington, Boston, New York, Chicago and Los Angeles, a third to half of the senior staff is eligible for retirement this year.

"It's the experience level we're worried about," said Vic DePaula,

a supervisor at the Washington Air Traffic Route Control Center. "We're heading into thunderstorm season."

To further complicate the problem, training lags in some centers because controllers who are supposed to be teaching the new trainees are too busy directing airplanes.

On June 3, Mrs. Dole announced plans to hire 955 new controllers in 1988, and the Senate Commerce, Science and Transportation Committee has called for hiring 1,000 more controllers next year.

Mr. Burnett says that the sudden hiring of more controllers would not solve the immediate crisis this summer because the training takes too long.

He acknowledges that controller errors are usually made by experienced controllers, and that each radar scope is manned, and says the safety board is trying to portray a larger picture — one of a system that is overtaxed because certain areas around crowded airports become oversaturated with more airplanes than an individual controller can handle.

Because training takes so long, there has been a move to rehire the fired controllers, on the theory that they can be more quickly retrained. Legislation to rehire the controllers was introduced last year but failed.

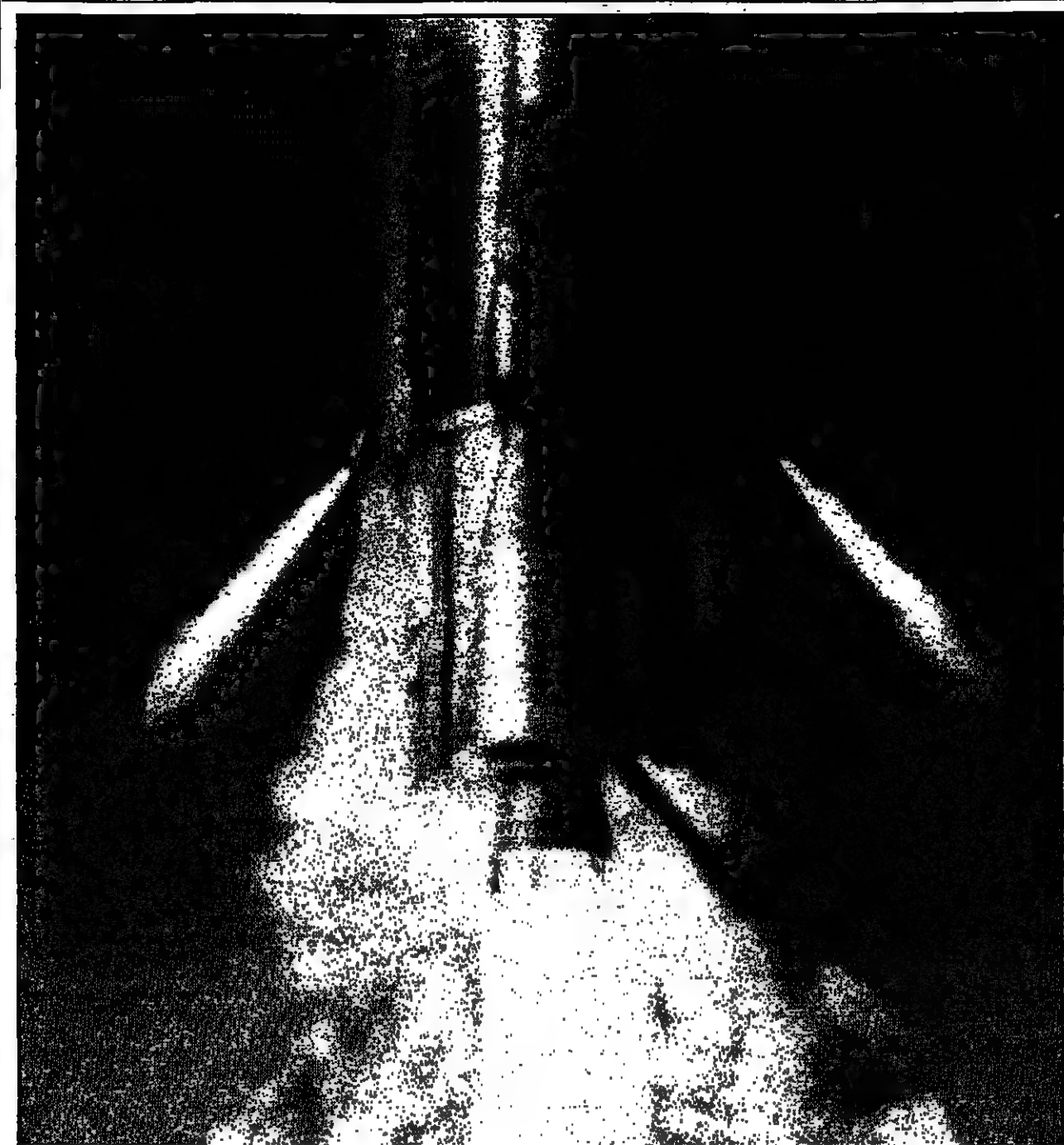
Not only is the administration opposed, but the FAA argues that such a move would only exacerbate morale problems among the controllers who feel they made fundamental choices when they walked across the picket lines and went back to work in 1981. Controllers themselves hold mixed views. In a survey a year ago, a majority said they didn't want the fired controllers back.

Mr. Burnett opposed rehiring the controllers because he says the FAA may be tempted to cut short the retraining.

The drive has begun again this year, and this time, with a Democratic-controlled Congress and a perception — no matter how exaggerated — that airline travel is disintegrating into chaos, the proposal will figure as a major bar-

gaining tool in any debate over controller hiring.

LAURA PARKER is a Washington Post staff writer who covers the transportation industry.



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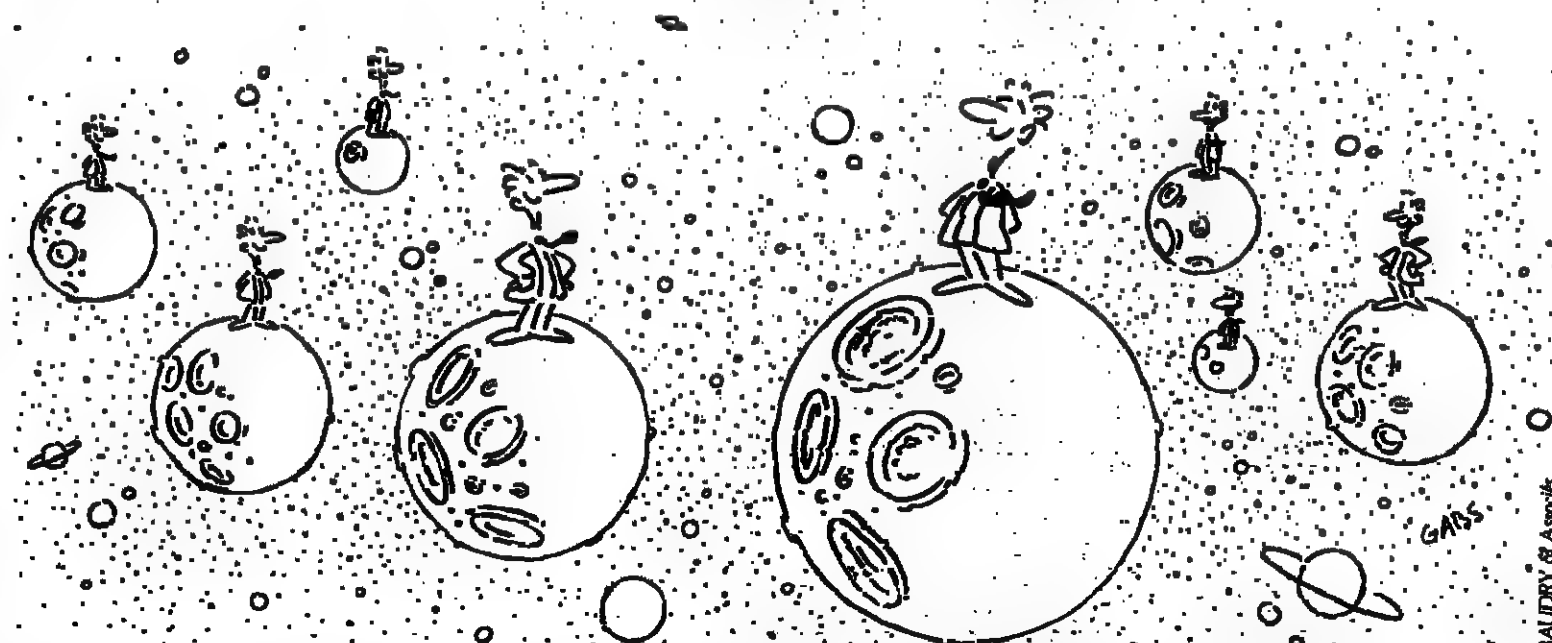
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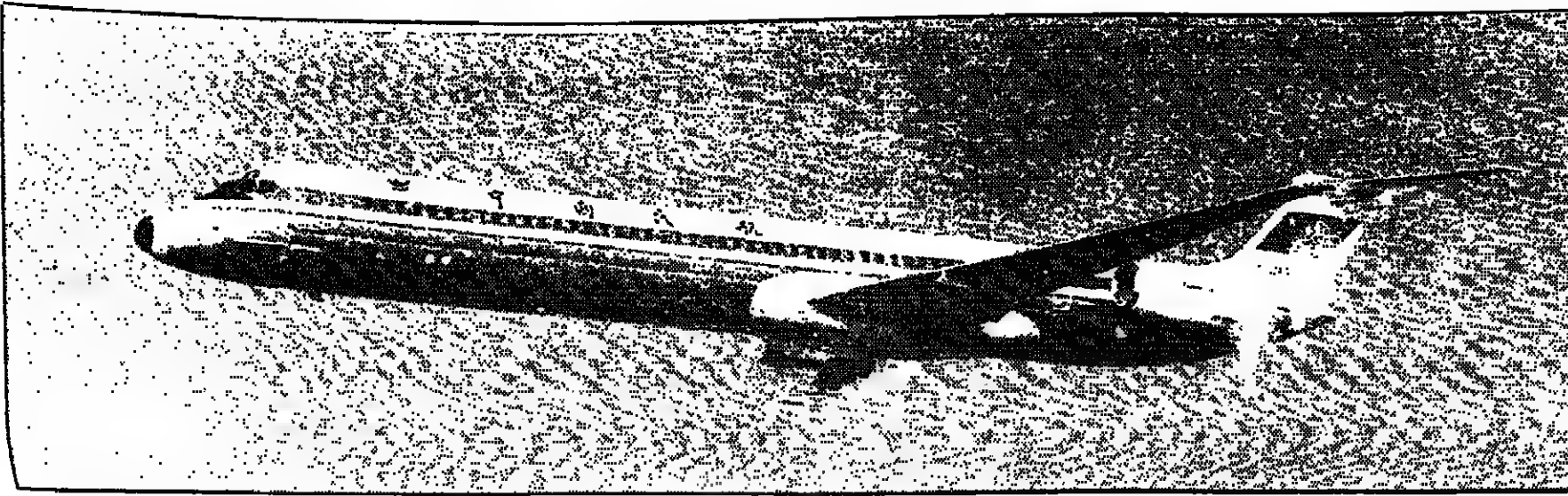
ing each and every function of the launcher. Occasionally, when we're feeling particularly brazen, we tell ourselves that it may well be the equipment bay that carries Ariane aloft; but, then again, we're not going to start compromising our good relations with our partners on account of a little vanity.

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APR 15 1987



A McDonnell Douglas Super 80 belonging to the fleet of CAAC.

China's Market Adds Mobility to the Economy

By Peter Middleton

LONDON — Lack of foreign exchange, and the quest for the transfer of Western technology through joint ventures and license production, dominate the Chinese aerospace market. But, despite the clampdowns that followed the nation's 55 percent rise in imports during 1985, acquisition of multimillion-dollar airliners from overseas is still tolerated at the highest government levels because mobility is a catalyst of industrial expansion.

Sole purchasing authority for civil airliners, with one minor exception, is the Civil Aviation Administration of China (CAAC). This government organization combines the roles of aviation ministry, airport authority and state airline, although it is gradually giving operating autonomy to its domestic regions, which, in name at least, already claim separate airline status.

Aircraft account for only a small percentage of Chinese domestic transport today, but anyone who has traveled by Chinese railways knows why CAAC is in the process of quadrupling its capacity this decade. China is bigger than the United States and Mexico combined. The author endured one 600-mile (970-kilometer) train journey for 34 hours.

Punctuality is not a hallmark of CAAC either, but its traffic leaped by about a third during 1984 and 1985 — the year it ordered 50 new aircraft — and its growth is now scheduled to stabilize at about 15 percent a year until the end of the current national economic plan in 1990. No other major airline is contemplating such growth, twice that planned for the Chinese economy as a whole, but few have such a poorly served market.

CAAC carried 10 million passengers last year (up from about 7.5 million in 1985), but the 1.27 billion revenue ton-kilometer it generated were less than a quarter of those flown by British Airways, whose national population is one-twentieth the size.

Most growth is on domestic routes, of which CAAC has 253, plus eight to Hong Kong.

Traffic on the 27 international services is growing at only 5 percent, so the primary need is for more 150-seat twin jets and equipment to upgrade the airports to which they fly. This includes navigation aids, air traffic control systems, weather monitoring equipment, communications and reservation systems.

Like the rest of the world, CAAC goes cap-in-hand to Boeing for 747s, including three of the new 747-400s, but it has acquired an unusually wide variety of other modern equipment. This ranges from Boeing 737s and 767s (with 757s on order), through McDonnell Douglas MD-80s and Airbus A-310s to Tupolev Tu-154s, which are based only in the northwest near the Soviet border, suggesting political rather than technical motivation for their acquisition in a barter deal.

Early CAAC equipment was almost exclusively Soviet until the 1980 rift, after which Britain seized the opportunity to sell Tridents. More recent British sales to CAAC include British Aerospace 146 regional jets and Shorts 360 turboprops.

Understandably, CAAC has been wary of Chinese-built airliners, and only recently released 14 local derivatives of the Soviet An-24 turboprop from cargo and charter duties for scheduled passenger services.

To enhance its credibility and to acquire export potential for a modernized version, Chinese industry has contracted the Hong Kong Aircraft Engineering Company, a sister company of Cathay Pacific Airlines, to help it westernize the aircraft with new avionics and interiors. The resulting 50-seat Yuo-7-100 is in production at Xian against CAAC orders for 40, and stretched variants will be built. Significantly, the Chinese market has been closed to competing imports.

A much bigger cooperative deal is the \$2 billion joint venture between McDonnell Douglas and the Chinese Aero Technology Import/Export Corporation to assemble 25 MD-80 jet airliners for CAAC in Shanghai, with 15 options to follow, and a potential domestic market for at least 100. Delivery of

the first locally assembled aircraft is scheduled for July. China will become a tough market for competing products.

Chinese manufacturers' plans for self-sufficiency in civil aviation also include domestic sales of 200 20-seat Y-12 turboprops, although orders have yet to be placed. The Western avionics fit of the prototype was integrated in Hong Kong; its Canadian Pratt & Whitney engines will be assembled in China.

In the longer term, China is looking for cooperation on a new 30 to 40 seater (already an oversubscribed category, however), and could be coproducing 75- to 100-seat propeller-powered airliners, now being studied by West Germany's MBB.

Most Western helicopter manufacturers have made direct sales of craft into the potentially huge Chinese aerial-work market, but only in small numbers. Tasks include offshore oil support and aerial seeding of new forests to stem the easterly migration of the Gobi desert. The most recent demonstration tour was conducted by Boeing Vertol, which hopes to sell a few heavy-lift Chinooks for installation of hydroelectric power lines.

China has built old Soviet helicopter designs for many years and, as part of the overall plan to acquire technology as well as to prevent imports, it has already produced more than 50 French Aerospatiale Dauphin helicopters, called Z-9s. Local content is now above 80 percent, and the Z-9 will become totally Chinese by 1989.

China is also seeking overseas partners for co-development of light-and-medium-lift helicopters, but has built its own heavy-transport type, known as the Z-8. This looks suspiciously like the Super Frelon — an old design by Aerospatiale whose Gazelle lightweight missile-armed antitank helicopter recently won a Chinese military order against U.S. and West German competition.

Chinese jet combat aircraft have mostly been straight copies of pre-1960 Soviet types, such as the F-7 fighter (MiG-21) and H-6 bomber (Tu-16), but a major redevelopment of the MiG-19 has produced the A-5 Fantan

which is far superior to the original. Both the F-7 and A-5 have had some export success, notably to Pakistan, which is taking 60 advanced F-7Ms fitted with Western avionics.

The Chinese have also had to resort to Western help — this time from the U.S. Air Force — to upgrade the avionics of their big F-8 fighter. The USAF is integrating the entire navigation and weapon-control system of the aircraft, and will supply kits for 50 under a \$550 million contract.

Meanwhile, following the U.S. shuttle disaster and problems with Europe's Ariane rocket, China has gained a foothold in the satellite-launching market. Long Wall Industries has obtained launch contracts for the world's only secondhand communications satellites which were lost by one shuttle then recovered by another.

The two satellites will be re-orbited by Long March-3 rockets for the American companies that bought them from their British insurers. The first should be in orbit again next year, provided the U.S. government approves their temporary "export" to China for the launch. This is not guaranteed, because the satellites contain some very high-technology equipment.

China launched its 19th satellite last year, and its success rate — including two out of three geosynchronous communications satellites — is creditable. At least 17 out of 21 launches have achieved their objectives.

China is believed to be quoting \$35 million to \$60 million per geosynchronous launch, compared with \$80 million to \$95 million for Ariane bookings placed today.

Launching space rockets is a difficult way to earn foreign currency. Tourism is easier. Already nearly 1.4 million overseas tourists are bringing in more than \$1 billion a year. Visitor totals are expected to reach three million by 1990 and five million by the end of the century.

More tourists will require more airlines. So will the travel demands of a billion Chinese, as long as industrial momentum can be sustained. Aerospace is part of both processes. Increasingly, China is looking for participation rather than purchase.

Proposed FAA Rules Worry Foreign Firms

By James D. Baumgarner

WASHINGTON — Sometime this fall, the Federal Aviation Administration is expected to ask for comments from commercial aviation interests on whether foreign companies should be allowed to maintain and repair U.S.-registered transport aircraft. The agency provoked a worldwide outcry last year when it gave notice that such work would not be permitted.

This, in effect, would mean that Airbus Industrie or British Aerospace or Rolls-Royce or MTU could not work on the aircraft or engines or parts they sold to U.S. airlines. Large maintenance facilities established by such carriers as British Airways and Lufthansa also would not be allowed to work on U.S. aircraft. Foreign companies faced the loss of millions of dollars in lucrative repair and maintenance contracts.

The FAA notice also created a great deal of alarm in the United States, where many airlines were flying foreign aircraft or engines and were faced with the prospect of having no one to maintain them. However, the FAA ignored the criticism, saying it was acting in the interests of air safety. Many thought the agency was acting in restraint of trade.

It was not until John Moore, the British secretary of state for transport, visited Elizabeth Hanford Dole, the U.S. secretary of transportation, in April that some relief from the FAA notices was promised.

Mrs. Dole ordered the FAA to conduct a rule-making on the issue, which means that the concerned industries will get a chance to comment before the FAA develops a policy on foreign repair and maintenance. Many still fear the agency, however, will use the rule-making procedures merely as a pretext to carry out its original intention.

Among the nations that have objected to the FAA notices are Belgium, Denmark, West Germany, the Netherlands, Portugal, Spain, Sweden and Britain. Most of the large foreign flag carriers have protested to have the International Air Transport Association (IATA), the U.K. Civil Aviation Authority (CAA) and the Association of European Airlines.

The CAA, for example, said that the "tone" of the FAA notices "clearly infers, by the onerous limitations applied, that components from foreign sources, including the U.K., are to a lower order of safety, an inference which the CAA cannot accept as justified."

The legality of the notice was questioned by IATA, which said that for the past 37 years, the FAA has "without limitation or hindrance, knowingly authorized foreign repair stations to work and has permitted them to work on U.S.-registered aircraft as long as such aircraft, engines or parts were at least partially used in operations outside the U.S."

"The practice in the industry has included the transporting of internationally used aircraft, engines and parts to foreign repair stations for the purpose of performing inspections or maintenance. These practices have not been

covert, but have existed under the watchful but acquiescent eye of the FAA."

IATA also said that under U.S. law, "such long-standing practices have effectively established an informal rule authorizing such practices which cannot now be rescinded without compliance with the notice and comment procedures" of the U.S. Administrative Procedure Act.

The U.S. State Department, however, backed the FAA. In a letter drafted for several nations, the State Department said the FAA notices were "motivated strictly by a desire to ensure the highest possible standards for U.S.-registered aircraft within the limits of FAA budgetary resources. They are neither arbitrary nor intended to influence or restrain trade in goods or services."

The State Department disagreed that the

Foreign companies face the loss of millions of dollars in lucrative contracts.

policies "would have commercial effects inconsistent with the goals of the GATT Agreement on Trade in Civil Aircraft and the Agreement on Technical Barriers to Trade."

An official of Amsterdam Schiphol-East, however, said that the "moves seem to be contrary to the mutual cooperation and reliance between FAA and the European authorities which we have been trying further to develop in recent years."

The Association of European Airlines said that the "proposed restrictions on foreign repair station work bear no reasonable relationship to safety" and that the FAA in the notice had conceded that foreign repair stations are "qualified to perform work on U.S.-registered aircraft."

MTU, the German equipment company that has many airline customers including Pan Am, Eastern, KLM and Air France, said the notice would "impose highly restrictive new limitations on the authority of MTU to perform work on U.S.-registered aircraft."

MTU said that "given that many foreign aviation interests regard FAA's proposed actions as having primarily a domestic economic, rather than a safety, justification, countermeasures by foreign civil aviation authorities are certainly possible."

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New International Bond Issues

Compiled by Laurence Desvillettes

Issuer	Amount (millions)	Maturity	Coupon %	Price	Yield	Term
FLLOATING RATE NOTES						
TOPS Series IV	\$130	1992	0.15	100.10	100.00	Over 6-month Libor. Noncallable. Fees 0.15%. Denominations \$250,000.
HMC Mortgage Notes I	\$150	2017	14	100	99.50	Over 3-month Libor until 1997 or until pool of mortgages is \$30 million, whichever comes first. Interest will be 1% over Libor thereafter. Average life 7 years. Callable at par in 1991. Fees 0.60%. Mortgage backed bonds in denominations of \$100,000.
FIXED-COUPON						
General Motors Acceptance Corp.	\$200	1989	8 1/4	100 1/8	99.98	Noncallable. Fees 1/16%.
Council of Europe Retirement Fund	DM 150	1997	6 1/4	113 1/4	—	Noncallable. Each \$100,000 note with 10 two-year warrants, each giving the right to buy \$200 at 1.30 marks per dollar. Breakdown rate 1.34 marks. Fees 1/16%.
Amsterdam-Rotterdam Bank	€ 50	1992	9 1/4	101 1/4	99.38	Noncallable. Fees 1/16%.
Banco Nazionale del Lavoro (London)	€ 50	1992	9 1/4	101 1/4	99.38	Noncallable. Fees 1/16%.
Swedish Export Credit	€ 50	1992	9 1/4	101 1/4	99.50	Noncallable. Fees 1/16%.
Swedish Export Credit	€ 50	1994	7 1/4	101 1/4	99.50	Noncallable. Fees 1/16%. Denominations 10,000 ECU.
Deutsche Bank Finance	€ 100	1992	9 1/4	101	99.90	Noncallable. Fees 1/16%.
Royal Trustco	€ 100	1992	10 1/4	101 1/4	99.23	Noncallable. Fees 1/16%.
Christiana Bank	Aus 30	1990	14 1/4	101 1/4	99.13	Noncallable. Fees 1/16%.
Eurofima	Aus 75	1994	13 1/4	101 1/4	99.13	Noncallable. Fees 2 1/4%.
Nederlandse Gasunie	Aus 75	1989	14 1/4	101 1/4	99.63	Noncallable. Fees 1/16%.
NordLB Finance (Caracas)	Aus 50	1991	13 1/4	101 1/4	99.83	Noncallable. Fees 1/16%.
Sarwa Australia Leasing	Aus 30	1992	14 1/4	101 1/4	98.75	Noncallable. Fees 2 1/4%.
Ontario Dominion (Australia)	Aus 50	1990	14 1/4	101 1/4	100.00	Noncallable. Fees 1/16%.
Federal Business Development Bank	NZ\$ 30	1989	18 1/4	101 1/4	99.75	Noncallable. Fees 1/16%.
Denmark	¥10,000	1991	8	115 1/4	—	Noncallable. Fees 1/16%. Denominations 10 million yen.
Eurofima	¥20,000	1994	4 1/4	101 1/4	99.75	Noncallable. Fees 1/16%.
State Bank of Victoria	¥30,000	1992	4 1/4	101 1/4	99.88	Noncallable. Fees 1/16%.
EQUITY-LINKED						
Canon Sales	\$100	1992	1 1/4	100	100.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at \$1.83 per share and at \$14.40 per share. Fees 2 1/4%.
Daiwa Danohi	\$100	1992	1 1/4	100	99.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at \$1.83 per share and at \$14.40 per share. Fees 2 1/4%.
Glory	\$60	1992	open	100	99.00	Coupon indicated at 1 1/4%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at \$1.83 per share and at \$14.40 per share. Fees 2 1/4%.
Hokuriku Bank	\$100	2002	1 1/4	100	103.00	Semiannually. Convertible at \$1,400 yen per share and at \$14.85 yen per share. Fees 2 1/4%.
Kansai Paint	\$60	1992	open	100	99.00	Coupon indicated at 1 1/4%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at \$1.83 per share and at \$14.40 per share. Fees 2 1/4%.
Matsuya	\$50	1992	open	100	100.50	Coupon indicated at 1 1/4%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at \$1.83 per share and at \$14.40 per share. Fees 2 1/4%.
Mitsubishi Chemical Industries	\$200	1992	1	100	108.50	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at \$1.83 per share and at \$14.40 per share. Fees 2 1/4%.
Nikken Chemicals	\$50	1992	open	100	98.50	Coupon indicated at 1 1/4%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at \$1.83 per share and at \$14.40 per share. Fees 2 1/4%.
Pacific Dunlop	\$75	1997	open	100	99.00	Coupon indicated at 4 1/4 to 7%. Convertible at an expected 20 to 25% premium. Fees 2 1/4%. Terms to be set June 15.
Tokyo	\$150	1992	open	100	106.00	Coupon indicated at 1 1/4%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at \$1.83 per share and at \$14.40 per share. Fees 2 1/4%.
Toyo Sash	\$100	1992	1 1/4	100	100.50	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at \$1.83 per share and at \$14.40 per share. Fees 2 1/4%.
Victor Co. of Japan	\$100	1992	1 1/4	100	105.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at \$1.83 per share and at \$14.40 per share. Fees 2 1/4%.
Victor Co. of Japan	\$50	1994	2 1/4	100	102.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at \$1.83 per share and at \$14.40 per share. Fees 2 1/4%.
Bell Group	\$75	1997	open	100	98.50	Coupon indicated at 5%. Redeemable in 1992 to yield 8 1/4%. Convertible at an expected 20 to 25% premium. Fees 2 1/4%. Terms to be set June 15.
Yacoval	€ 80	1992	open	100	98.00	Coupon indicated at 1 1/4%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at \$1.83 per share and at \$14.40 per share. Fees 2 1/4%.
WARRANTS						
National Australia Bank	0.10	12 mos	—	\$20	—	Call warrants exercisable at par into an Australian dollar-denominated bond paying 1 1/4% and due 1992.

Mexico and U.S., Amid Trade Spats, Discuss a Broad Accord

By Larry Rohrer
New York Times Service

MEXICO CITY — The United States and Mexico have begun negotiations on an economic agreement intended to set the tone for their broadening commercial relationship, but there are significant differences on several issues.

The agreement would be the most sweeping negotiated between the two since Mexico joined the General Agreement on Tariffs and Trade last year. Under discussion are not only traditional trade matters, but also such thorny questions as investment, services and intellectual property rights.

The talks, which began last month, are taking place amid some minor, but unresolved, trade spats.

In March, for instance, Mexican authorities banned the importation of American milk as unsafe, after which Senator Lloyd Bentsen, Democrat of Texas, urged the Reagan administration to consider imposing limits on American imports of cattle from Mexico, which last year amounted to 1.1 million head.

Officials for both governments said the Mexican action was not directly related to broader trade issues under discussion and was not intended to "send a message" to Washington. But another incident, both sides agreed, stems directly from issues the United States wants resolved in any agreement.

On April 1, the United States announced modifications of its Generalized System of Preferences program affecting 34 Mexican products, ranging from paper bags to electronic generators. The program allows specified products from developing countries to enter the United States duty-free, and Mexico is its fourth-largest beneficiary.

In 1986, Mexico exported \$1.3 billion in goods to the United States under the program, according to the United States-Mexico Chamber of Commerce. The 34 products no longer eligible for the benefits accounted for more than half of all exports, in dollar terms, from Mexico under the program.

Officials here said the trade benefits were withdrawn in retaliation for what the United States perceives as inadequate protection offered by Mexico to intellectual property rights. Specifically, they said, the United States is irritated by the slowness with which Mexico is moving to recognize patents on pharmaceutical and chemical products and processes.

Mexico is the third-largest trading partner of the United States, after Canada and Japan. Mexican exports to the United States reached \$17.7 billion in 1986, while Mexican imports amounted to \$12.5 billion, according to U.S. statistics.

For Mexico, the United States is its largest trading partner. Just over two-thirds of Mexican imports come from the United States, and 62 percent of its exports go to the American market. The United States is also the largest foreign investor in Mexico, with \$10.1 billion, or 60 percent of all foreign investment.

Officials said the U.S. side was using the talks to press Mexico to ease investment regulations. One Mexican official said that "this is the most politically sensitive area" of the negotiations, in view of Mexico's historical suspicion of foreign involvement in its economy.

In a speech in Mexico City on May 20, Charles J. Pilliod Jr., the U.S. ambassador to Mexico, said negotiators were seeking not a trade agreement but "a trade and investment framework agreement" that would provide "a more formalized mechanism" to handle whatever issues might arise.

Mexico is seeking language in the agreement that would shield it from what government officials here have called discriminatory U.S. trade practices. One Mexican official close to the negotiations estimated that "40 percent of our manufactured goods already have some difficulty in access to the American market," and said he feared further restrictions.

It's a Dogfight Over Japan Warplane

U.S., European, Local Makers Vie for \$7 Billion Order

TOKYO — Japan is nearing a decision on whether to build its own new jet fighter or buy one from American or European aircraft makers.

The stakes are high: about 1 trillion yen (about \$7 billion) for an order of 100 advanced support fighter jets, known as the FSX, with a possible follow-up order of 150 more fighters in years to come.

"There aren't too many major competitors in the world with those kind of numbers," said David J. Wheaton, a vice president of General Dynamics Corp., which hopes to win with its F-16.

The first planes will be delivered in the mid-1990s.

Foreign politicians and aircraft makers say Japan could start making a dent in its big merchandise trade imbalance — and save money — by buying updated versions of existing planes from overseas.

U.S. Commerce Secretary Malcolm Baldrige said in a speech to the Japan Society in New York last month that Japanese resistance to buying U.S. fighters was a key example of foreign difficulties in penetrating Japanese markets.

"It seems a waste for Japan to invest in domestic development" of aircraft, Mr. Baldrige said, "when American forces are using and

American companies have developed equipment that does the job at half the cost."

Japanese manufacturers answer that their aerospace industry could receive a big boost if the FSX were an all-Japanese venture. A consortium led by Mitsubishi Heavy Industries Ltd. says it can develop the new state-of-the-art plane at a cost comparable to foreign bids — a claim the foreign rivals reject.

The other U.S. competitor is McDonnell Douglas Corp., offering an improved version of its F-18 fighter. A European consortium, Panavia, is bidding for its Tornador fighter, although the Europeans complain that they can't compete equally because of Japan's pledge to ensure compatibility of its forces with those of the United States.

Japan's Defense Agency is likely to make its decision before the U.S. defense secretary, Caspar Weinberger, visits this month.

Some industry analysts say Japan will probably compromise by choosing the Japanese-designed plane, but building it in a joint production venture with one of the two U.S. companies.

In its new FSX design, Mitsubishi has developed an advanced control system used to maneuver short additional wings, called canards, which allow the plane to move horizontally or vertically without any change in the angle of the plane's body. This makes the plane more maneuverable while the pilot maintains aim on a target.

The U.S. bidders say they have met the Defense Agency's performance standards for the FSX in revised designs of their existing planes.

"If the Japanese won't buy U.S. fighters, it's hard to think of what they will buy from the United States," said James T. Burton, president of McDonnell Douglas Japan Ltd.

The initial order is to replace Japan's F-1 support fighters. The FSX will combine fighter and bomber capabilities in support of the F-15. Japan's main fighter plane, produced here under license from McDonnell Douglas.

Interest in Rocket Engine
McDonnell Douglas has approached Mitsubishi Heavy Industries about importing the LE-5 rocket engine to help improve its satellite launching capability, industry sources said Saturday.

Agence France-Presse reported. The engine, using hydrogen and oxygen as fuel, was developed by Japan's Space Development Agency at a cost of 44 billion yen. Mitsubishi was a prime contractor.

Pennzoil Talk of Spin-Offs Is Seen as a Signal to Texaco

Compiled by Our Staff From Dispatches

NEW YORK — A decision by Pennzoil Co. to consider spinning off some subsidiaries is being viewed by some industry analysts as an omen to Texaco Inc. in their \$10.3 billion legal dispute.

Pennzoil said Friday that it was considering the reorganization if its protracted dispute with Texaco was not resolved in the coming months.

Texaco owes Pennzoil \$10.3 billion in damages following a judgment that it unfairly interfered in Pennzoil's merger attempt with Getty Oil Co. in 1984. Texaco is appealing.

As part of a possible settlement, Pennzoil's oil reserves could be sold to Texaco for stock with a premium built in for the terms of the settlement, the analysts and industry sources suggested.

"They're sending a signal they want to settle," said Alan Edgar, director of energy services at Prudential Bache Capital Markets. He said Pennzoil's board last summer approved a plan to spin off

divisions along their lines of business.

Texaco declined to comment on whether it viewed the statement by Pennzoil as a prelude to a settlement. "We never have commented on a settlement," a spokesman said.

A transaction involving Pennzoil assets and Texaco stock would be beneficial for tax reasons to Pennzoil shareholders and would leave Texaco with badly needed oil reserves, analysts said.

In a recent interview, Pennzoil's chairman, J. Hugh Liedtke, said that, if the legal dispute continued, Pennzoil would likely spin off one or more of its subsidiaries to shareholders, mainly to increase the company's market value.

He said he had not talked with Texaco executives about a settlement since before Texaco filed to reorganize under Chapter 11 of the Bankruptcy Code on April 12.

He added that he felt it was unlikely the litigation would be resolved soon through a settlement. (Reuters, NYT)

737 Becomes The Best-Selling Airliner Ever

New York Times Service

PARIS — Orders announced here by Boeing Co. have made its 737 aircraft the best-selling airliner in aviation history.

The total number of Boeing 737s ordered rose to 1,842, with 20 orders announced Friday at the Paris Air Show. They came from two airlines and a leasing company. Boeing's 727, which is no longer in production, had the previous record, 1,831.

Boeing introduced the 727, which carried from 150 to 160 passengers, in 1964.

The 737 came out four years later. It was built for shorter routes and fewer passengers, and in the 1970s, both were desirable. With deregulation, carriers focused on smaller cities to feed passengers into their hubs. And when oil prices shot up, more economical planes were in demand. The 737 carries from 108 to 146 passengers.

Montagu and Citicorp have agreed to underwrite a loan of around £100 million to finance part of the proposed \$460 million takeover by WPP Group, a British marketing company, of JWT Group, the giant U.S. advertising firm. If the takeover is completed, the banks will begin syndicating the credit, which is expected to carry a spread of 2 1/4 to 3 1/4 points over Libor.

NAMES: The Allegis Syndrome

(Continued from first finance page)

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Even before the Allegis upheaval, there were signs that the recent bombardment of bizarre new corporate names — Unisys, Omnicom, USX and UNUM among them — was making many chief executives think twice about changing their companies' names.

That's good advice for almost

identification budgets (\$7 million for Allegis advertising) were used to hire good managers to turn companies around. "Look at what Alcoa did at Chrysler with what had become a lousy name," he says.

True enough. But intriguingly, Lee Iacocca was so frustrated with Chrysler Corp.'s low price/earnings ratio several years ago that he decided he did want to change Chrysler's name, according to Mr. Chajet. He sought out Mr. Chajet in an attempt to get the market to recognize some of Chrysler's more glamorous businesses (aircraft, finance, auto parts). Mr. Chajet said he told Mr. Iacocca to stand pat.

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APPLE: Computer Maker Grows Up and Rides Out a Crisis by Targeting Business Users

(Continued from first finance page)

their MS-DOS operating system became the industry standard, Apple changed its own noncompatible hardware and software systems.

The best example of this was the Macintosh, released in early 1984. Its "graphic interface," in which a user operated the computer by using a hand-held "mouse" to point at icons on the screen, was, while easy to use, like nothing else on the market—and deliberately incompatible with the IBM system.

Unlike most other personal computers, the Macintosh was a "closed" machine; owners could not get inside to modify it to their needs. Programs written for the Macintosh could not run on anything else, even the Apple II.

Mr. Jobs saw Apple as a renegade company. He flew a pirate's skull and crossbones over the company's headquarters. Over the Macintosh was introduced, Mr. Jobs produced and marketed it in a division completely distinct from the division that made and sold the Apple II. The split so frustrated Mr. Wozniak that he left the company in early 1985. (He since has returned as a consultant.)

By then, Mr. Sculley was president, hired to give Apple some cash as a responsible adult company in its largely fruitless efforts to sell computers to the vast business market that was ignoring Apple.

"Spirits were really high in 1984," Mr. Sculley said. "We didn't think we could do anything wrong. The industry was booming. We didn't know how high up we were."

Then the personal computer business collapsed. IBM cut prices to stoke sales, and Apple could not keep up.

Worse, the Macintosh, only a year old, stopped selling. Although an artistic success, the Mac had been judged too underpowered to be of value to businesses. Promised products to connect Macintoshes to one another to form the heavily advertised "Macintosh Office" never materialized.

In May 1985, Mr. Sculley pushed through a reorganization that united the company's two divisions, reduced redundancy and effectively removed Mr. Jobs from day-to-day control.

"It came down to very different ideas about what it was going to take to turn Apple around," Mr. Sculley

said. "Steve was convinced that he was the only one who could do it, and I was convinced that he wasn't. It eventually came down to the board of directors making a choice."

Mr. Jobs was relegated to a minor position. A few months later he left Apple to start his own company, Next Inc., which is developing high-powered computer workstations for the university market.

In addition to bringing together the two sides of the company, Mr. Sculley reorganized Apple's marketing pitch. Crucial to that was the concession that the home computer market did not exist.

"The home market has never turned out to be a real market," Mr. Sculley said. "People couldn't figure out what to do. Balancing their checkbooks and keeping track of their recipes wasn't enough to justify learning how to use the personal computer."

If the computer was going to be used in the home, Apple concluded, it would be used as an educational or business tool.

Apple has been prominent in the education market for years, reaping the benefits of seeding thousands of free or discounted Apple IIs in

schools around the country. Students who used the machine went home asking for one of their own, and the Apple II, with a huge base of software, became the standard for the education market. Four million Apple IIs have been sold.

The business market was more problematic. With a few exceptions, Apple long had been unable to get its machines into big companies and government agencies, principally because of marketing and technology failures.

Mr. Sculley's weapon was the Macintosh Plus, introduced in early 1986, which had expanded memory, a faster operating speed and more ability to expand or connect to other computers.

Apple bounced back from its \$17.2 million loss in the third quarter of fiscal 1986 with a profit in the next quarter, indicating that the company's reorganization was taking hold.

The company also got a huge break. Steve Jobs had envisioned desktop publishing as a market for the Macintosh all along.

In 1986, the market exploded. The introduction of new software and relatively inexpensive laser

printers by Apple and others made it possible to use the Macintosh to turn out newsletters, graphics and reports that rivaled the quality of work done in professional print shops. Practically overnight, desktop publishing became a \$1 billion-plus industry, and Apple had the biggest share of it.

John Zeissler, until recently Apple's manager of business marketing and now vice president at the company's recently formed software subsidiary, said, "People have said that was our Trojan horse into business."

Macintosh sales doubled in 1986 from the year before.

To maintain its edge, Apple will have to keep advancing the technology. A group of new Macintoshes introduced shortly before the IBM announcement provides a hint of where Apple is headed. They include a more powerful version of the basic Macintosh, the SE model, and a machine that represents an even greater departure: the Macintosh II.

Apple is pushing the Macintosh II hard with the business community, selling it as a machine that can be dropped into any computer network.

COMPANY NOTES

Alitalia, the Italian state airline, has ordered six engines from General Electric Co. to power the McDonnell Douglas MD-11 jetliners it expects to acquire, and has taken options on four more engines, GE said. The total order would be worth \$250 million.

Chambers jewelers' controlling partners, Jacques and Pierre Chauvet, were charged Saturday by a Paris court with breach of trust and swindling in the collapse of their internationally known firm. The brothers had been placed in preventive detention on Thursday. The company has filed for bankruptcy and its assets have been placed under the control of a court-appointed administrator.

Eastman Kodak Corp. said it had agreed to acquire International Biotechnologies Inc., a Connecticut-based maker of systems for molecular biology research, for about \$15.1 million, or about \$6.30 a share.

First National Bank of South Africa, facing government allegations of support for guerrillas of the African National Congress, said it condemned terrorism and did not back any political organization. "We are totally opposed to violence," the bank said in newspaper advertisements Sunday. Authorities in Johannesburg suburb, Benoni, had threatened to withdraw 150 million rand (\$75.3 million) from the town's account at the bank, formerly Barclays National Bank.

First Republic Bank Corp. said it will conduct a series of mergers that will reduce its number of affiliate banks in Texas to 42 over the next 18 months. The company said it had a total of 107 affiliate banks in Texas and that the first round of mergers took place on June 6, in which Republic Bank Corp. and Interfirst Corp. merged to form First Republic Bank Corp.

General Electric Co. of the United States will apply for listing on the Tokyo Stock Exchange by the end of the year, a GE spokesman said in Tokyo.

Hongkong & Shanghai Banking Corp.'s subsidiary Concord Leasing Inc., based in the United States, has agreed to buy certain assets from Ingersoll-Rand Financial Corp., the bank said. A bank spokesman said Concord will acquire more than half of IRFCS \$611 million worth of assets.

Hyundai Motor Co., citing strong shipments to the United States and Canada, reported that its worldwide car exports in May marked a monthly record 45,317 units, up 75.5 percent from the previous May, including a record 38,170 cars to the United States and Canada.

LTV Corp.'s steel division said Pao Steel Manufacturing Corp. had canceled its plan to purchase LTV Steel Co.'s mill making 14-inch (35.8-centimeter) structural steel in Aliquippa, Pennsylvania.

Rockwell International Corp. and Bofors, the armaments subsidiary of Nobel Industries Sweden AB, are to provide a missile system for the Swedish Army, the Swedish news agency TT reported. It said Rockwell's part of the contract, to supply the coastal defense system, was worth 400 million kronor (\$63.6 million). Bofors will be responsible for installation.

Sony Corp. is negotiating to buy a semiconductor plant near Nagasaki from Nippon Fairchild KK, a subsidiary of Schlumberger Ltd. The plant in Isahaya can process 25,000 six-inch (15.3-centimeter) wafers a month.

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

Sales in 100s High Low Close Chgs

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